

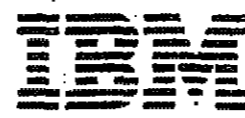
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# FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY JULY 7 1993

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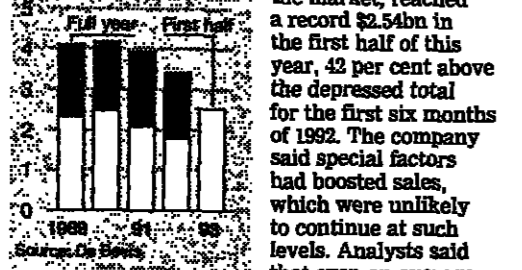
## German prosecutor to be sacked in row over shooting

German federal prosecutor Alexander von Stahl is to be sacked for his role in a dispute over the shooting of a suspected urban guerrilla, the justice ministry said. The authorities have given contradictory accounts of the shooting, in the northern town of Bad Kleinen, which forced the resignation on Sunday of interior minister Rudolf Seifert.

**S Africa clashes leave 116 dead:** The death toll after four days of violence in South Africa reached 116 yesterday as black groups fought in the streets of two townships near Johannesburg. Page 14

**Pay-off for Attali:** Jacques Attali, who is resigning as president of the European Bank for Reconstruction and Development, is likely to receive a tax-free pay-off of more than £147,000 (\$221,000). Page 14

**Record rise in De Beers' diamond sales:** Diamond sales by De Beers, the South African group which dominates the market, reached a record \$2.54bn in the first half of this year, 43 per cent above the depressed total for the first six months of 1992. The company said special factors had boosted sales, which were unlikely to continue at such levels. Analysts said that even an average second-half performance would send De Beers' rough diamond sales above the record \$4.17bn seen in 1988 and 1990. Page 22



**Ashton Mining:** Australian diamond miner, is planning an A\$112m (\$75m) flotation of its gold production interests. Page 15

**Japanese executives sacked:** Three executives at Japanese construction company Hazama were sacked after being arrested during a bribery investigation. Page 6

**UK attacked over economy:** Britain was told by its European Community partners that its measures to curb its £50bn (\$75bn) budget deficit were inadequate. Page 14

**Krupp-Hoesch:** merged German steel and engineering group, reported a half-year loss of DM330m (\$189m) because of extraordinary expenditures in its steel divisions. Page 15

**Serbian court rejects plea:** Serbian opposition leaders may stage mass protests in Belgrade after the supreme court rejected an international appeal to release ailing opposition figure Vuk Draskovic. Page 2

**Northwest Airlines:** debt-burdened US carrier which is integrating its operations with those of KLM Royal Dutch Airlines, staved off a bankruptcy filing by reaching agreement with its pilots' union on cost cuts. Page 17

**Postel:** the UK's largest pension fund, announced a £120m (\$180m) rescue package for Greycoat which will give it up to 87.7 per cent of the troubled property company. Page 16; Lex, Page 14

**Italy's budget approved:** The Italian parliament endorsed the mini-budget unveiled in May by Carlo Azeglio Ciampi's government.

**UK car sales up:** The UK motor trade recorded an 11.07 per cent year-on-year rise in new car registrations during June. Page 8

**German jobless total rises:** Western Germany's unemployment rate edged up to 7 per cent last month compared with 6.9 per cent in May. Page 2

**47 die in Kashmir violence:** At least 47 people died yesterday in Kashmir, where Muslim militants are fighting Indian rule.

**Nokia in phone buy-outs:** Finnish electronics group Nokia is paying \$31.5m to buy out Tandy Corporation of the US from mobile telephone manufacturing joint ventures in South Korea and Texas. Page 15

**On the air:** Mercury Communications, subsidiary of the UK's Cable and Wireless group, plans to offer airlines an in-flight telephone service for passengers. Page 3

**Michelangelo draws record price:** A drawing by Michelangelo, sold at Christie's in London for £4.2m (\$6.3m), a world record for a drawing by an Old Master. It was bought on behalf of the Getty Museum in Malibu, California.

STOCK MARKET INDICES			
FTSE 100	2983.1	(+9.8)	
Yield	4.82		
FTSE EuroStoxx 100	1234.8	(+0.03)	
FTSE All-Share	1413.02	(+0.3%)	
Nikkei	19,829.78	(+206.72)	
New York Composite	4485.38	(+1.33)	
Dow Jones Ind Ave	5485.38	(+1.33)	
S&P Composite	4485.38	(+1.33)	
US LUNCHTIME RATES			
Federal Funds	3 1/4		
3-mo Treas Bill Yld	3.912%		
Long Bond	106		
Yield	6.65%		
LONDON MONEY			
3-mo interbank	5 1/4	(same)	
Libor 3m	5 1/4	(same)	
3-mo Trea Bill Yld	3.912%		
Long Bond	106		
Yield	6.65%		
NORTH SEA OIL (August)			
Brent 15-day (Aug)	\$17.17	(16.95)	
Gold	\$393.1	(386.7)	
New York Comex (Aug)	\$393.1	(386.7)	
London	\$391.75	(387.85)	

Austria	94.00	Germany	100.00	Italy	100.00	Spain	100.00
Belgium	100.00	Greece	100.00	Sweden	100.00	Switzerland	100.00
Denmark	100.00	Hungary	100.00	Taiwan	100.00	UK	100.00
France	100.00	Ireland	100.00	USA	100.00	Yen	100.00
Japan	100.00	Netherlands	100.00	West Germany	100.00		
Portugal	100.00	Poland	100.00				
South Africa	100.00	South Korea	100.00				
Sweden	100.00	Switzerland	100.00				
Spain	100.00	Taiwan	100.00				
Switzerland	100.00	USA	100.00				
Taiwan	100.00	UK	100.00				
USA	100.00	Yen	100.00				
UK	100.00						
Yen	100.00						

## Missing KIO cash 'used to buy Kuwait liberation'

By Peter Bruce in Madrid

FORMER TOP officials of the the Kuwait Investment Office have claimed that \$300m which went missing shortly after the Iraqi invasion of Kuwait was used to buy political support in the west and the Arab world in favour of armed intervention to liberate the emirate. According to confidential evidence submitted to Kuwaiti investigators looking into the collapse of the KIO's Spanish operation, a slush fund was created in London in 1980 to influence political leaders in countries which eventually came to Kuwait's rescue. Substantial sums are also alleged to

have been used to buy votes at the United Nations where Security Council votes later provided the legal basis for Kuwait's liberation led by troops from the US, Europe and Arab states.

Members of the KIO's former management, some of whom are accused by the Gulf Emirate of stealing between \$300m and \$510m, have persistently claimed that the missing funds were used to influence political opinion on the instruction of Kuwaiti leaders in exile.

Both the Kuwaiti government and the present management of the KIO deny the existence of such a slushfund. However in the first official reference to the possible existence of a London-

based slush fund, a Kuwaiti parliamentary committee investigating alleged losses of up to \$50m from the KIO's Spanish operations has been told that its former chairman, Sheikh Fahad Mohammed Al-Sabah, transferred \$300m from Spain to accounts in London under his control soon after the invasion.

The report, by the parliament's finance committee, quotes Mr David Betts, chief financial officer at the KIO, as telling it in February that "the former president of the Office (the KIO), Fahad Mohammed Al-Sabah, asked him not to mention anything about the transfers that were made from Grupo Torras in Spain to his account in London and

which amounted to \$300m in 1990. He justified the secrecy by saying that these sums were confidential and were transferred for political purposes. (Sheikh Fahad) repeated this on several occasions."

Grupo Torras is the KIO's crippled Spanish industrial company. Some \$1.2bn was transferred to Torras by the KIO between August and October 1990 of which up to \$510m cannot be accounted for. Writs issued against many former KIO managers in London earlier this year by Kuwait allege that this money was stolen. Mr Ismail al-Shatti, president of the committee, said yesterday that "there were transfers reaching

\$510m without justification. These transfers could be considered outright theft of the country's funds."

Current KIO managers and members of the Kuwaiti parliament say that the former management may be trying to hide the true destination of the money by pretending it was used to help save the country after the invasion by President Saddam Hussein's forces.

However Mr Betts is still highly regarded in the KIO and there is no suggestion of impropriety on his part. His testimony, if correctly reported, carries considerable weight. He was not available yesterday and Sheikh Fahad is believed to be in the Bahamas.

## Negotiators report progress on tariff-cutting deal that could revive Uruguay Round

## G7 summit prospects brighten on trade talks

By Michio Nakamoto and Peter Norman in Tokyo

PROSPECTS for today's economic summit of the Group of Seven leading industrial nations suddenly brightened in the early hours of this morning as trade negotiators reported some progress toward a wide-ranging tariff-cutting deal.

After nearly seven hours of talks, ministers from the so-called Quad countries - the US, the European Community, Japan and Canada - said progress was made in many areas towards a market access agreement that might breathe new life into the stalled Uruguay Round of trade liberalisation talks.

All participants warned that difficult problems remained to be overcome. But Mr Katsuhiko Miyazawa, the Japanese prime minister, gave a hint of the scale of progress when he said agreement had been reached in some areas where the negotiators wanted to reduce tariffs to zero. The ministers declined to be more specific. They will meet again today.

Speaking at around 3am Tokyo time, Sir Leon Brittan, EC trade commissioner, said the negotiators had made progress on "a wide variety of issues" and he hoped for a "successful outcome" today. Mr Mickey Kantor, the US trade representative, was also optimistic, saying he looked forward to today's session.

Earlier, it had seemed that the G7 summit - the 19th since 1975 would open under a cloud of unresolved trade disputes. A

PAGE 4  
■ US and Japan seek to break trade deadlock  
■ EC urges Miyazawa to stimulate growth

meeting between US President Bill Clinton and Mr Katsuhiko Miyazawa, the Japanese prime minister, yesterday failed to heal a dispute between the two countries over cutting Japan's annual current account surplus, currently estimated at about \$150bn.

In a joint press conference, Mr Miyazawa flatly rejected US pressure for numerical targets to reduce the surplus. Showing little of the reticence normally associated with "lame duck" leaders, he said it was impossible for market economies such as the US and Japan to control the level of their imports and exports and so decide the level of their current accounts in terms of a percentage of gross domestic product.

Mr Miyazawa faces a general election on July 18 after losing a vote of confidence.

In the Quad talks, disagreements between the US and EC on trade in textiles were at the centre of yesterday's problems.

The US was reported to be unwilling to reduce tariffs further on textiles such as woolen suits where the EC has a competitive advantage. The US fears having to extend the same reductions to China and other countries under the most-favoured nation rule.



Japanese prime minister Katsuhiko Miyazawa and US president Bill Clinton talk before the summit meeting

"Textiles is the big problem because it is a huge business for the US, for the EC and for third world countries," an official close to the talks said.

Yet in the view of trade analysts, agreement on textiles would greatly help achieve a successful market access package. In addition to lowering tariffs, a textiles agreement would send a clear message to the other members of the General Agreement on Tariffs and Trade that the Quad group was serious about taking multilateral trade talks forward.

Some of the US's trading partners believed that Mr Kantor was keen to strike a deal. But they said the US had not moved its position much since the last

Quad meeting less than two weeks ago in Tokyo.

As G7 leaders gathered last night, Mr John Major, the UK prime minister, promised to "batter and bully" the G7 to make progress on trade liberalisation this week, but acknowledged that

it would "not be easy".

Mr Major underlined the importance of completing the Gatt round, which he said was no less vital to the world economy and creating employment than it was at last year's G7 summit in Munich.

## UK legal review a threat to jury trials

By Robert Rice in London

THE ANCIENT right of defendants to trial by jury was threatened yesterday when Britain's Royal Commission on Criminal Justice urged its abolition, prompting a potential confrontation between the government and the judiciary.

This was the most controversial proposal among 363 recommendations for change in the British criminal justice system made by the independent government-appointed commission and seems certain to cause a political storm if accepted.

Mrs Barbara Mills, director of public prosecutions, had backed the change to save costs by cutting down on the number of cases tried in crown courts each year.

The overwhelming majority of the 30,000 defendants who elect jury trial each year later change their plea to guilty, resulting in a waste of court time and resources. But senior judges are strongly opposed to abolition of a right which stretches back to the signing of the Magna Carta in 1215.

Members of the judiciary are reluctant to abandon a system first introduced following the Norman invasion in 1066 and which has since been adopted in Commonwealth countries and the US.

Continued on Page 14  
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## Apple to shed 2,500 jobs in plan for broad restructuring

By Louise Kehoe in San Francisco

APPLE COMPUTER, which last month appointed a new chief executive, said yesterday it planned to cut 2,500 jobs, reducing its workforce by more than 15 per cent. It intends to carry out a broad restructuring over the next year.

The announcement confirmed speculation that the US personal computer company would make severe cuts to reduce costs and boost flagging profit margins as competition increases.

The company's main problem is that its Macintosh desktop computers are no longer gaining market share despite aggressive price-cutting. The company faces increasing competition from standard personal computers based on Intel chips running Microsoft's Windows software.

Apple will take charges in the

current quarter to cover the costs of job cuts. Although the company provided no estimate of the amount, analysts calculated they could exceed \$100m and result in a loss for the quarter. Most of the redundancies will occur this month.

The company provided no details of its restructuring plans which it said would be revealed later this month. Apple is expected to report its third quarter earnings next week.

Mr Michael Spindler, Apple's new chief executive, was unavailable for comment on his first decisive action since taking over from Mr John Sculley last month. Mr Sculley, who remains Apple chairman, is on sabbatical.

The restructuring is expected to affect all divisions and administrative operations may be particularly vulnerable.

Last month, Mr Sculley warned that Apple's earnings in the sec-

ond half of the financial year to September would fall below last year's levels. He said the company would take "aggressive" actions to boost sales and "appropriate" actions to create earnings growth. For the third quarter of 1991-92, Apple reported net earnings of \$131.7m or \$1.07 a share on \$1.74bn in sales.

Apple has already posted two consecutive quarters of profit declines. It suffered a 3 per cent drop in its first quarter and 35 per cent downturn in the second quarter. Gross profit margins dropped to 38.5 per cent of sales in the second quarter, from 44 per cent a year ago.

Mr Spindler's appointment was seen as a move to focus Apple's top management more directly on current problems. Mr Sculley showed greater interest in building new business opportunities for Apple in the emerging field of multimedia communications.

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MORSE

**In 1976, this cost \$19,000,000.**



LAST February, a Cray-1 supercomputer was auctioned for \$10,101. Installed at the Lawrence Livermore laboratory in 1976, it cost \$19m. Its processing power was equivalent to Sun's new SPARCstation 10 multiprocessing workstation (pictured above).

Now the world's fastest desktop MP workstation is available from Morse. And it doesn't need liquid nitrogen to cool it. Sun SPARCstations are designed for commercial use. They use Sun's industry standard UNIX operating system, Solaris, and run over 5000 ready made applications.

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## Brussels to reject Dublin's insistence on extra funding Irish out of luck in EC aid row

By David Gardner in Brussels

THE row sparked by Ireland's blocking at the weekend of the European Community's largest ever regional aid programme looks set to worsen today, as signs emerge that Brussels may not even be able to guarantee Dublin the funding that the Irish government has already rejected.

The European Commission and EC ambassadors to Brussels hold separate meetings today to try to break the logjam, caused by Ireland's refusal to accept less than the 1986 (£7.7bn) that Prime Min-

ister Albert Reynolds says he was promised at last December's Edinburgh summit.

Mr Jacques Delors, Commission president, is understood to have offered the Irish £17.5bn last weekend, when EC foreign ministers tried to agree on the Community's £15.7bn (£12.1bn) regional aid programme for 1994 to 1999.

But the Commission is divided on whether Ireland has been offered more than it is entitled to under the criteria set at Edinburgh. Spain, Portugal and Greece - which with Ireland make up the "Cohesion Four" member states ear-

marked for the EC's most generous grants - are objecting that some of the money already offered to Dublin will have to come out of their pot.

"There's a limit to the number of times you can hand out the same money," one EC diplomat said.

Mr Bruce Millan, the Scottish commissioner for regional policy, is insisting on sticking to the Edinburgh criteria. These weigh factors like regional per capita income, unemployment levels, size of population and of rural population. In the 1989-1993 regional aid package, Ireland got 13.5

per cent of funds for the "Cohesion Four" - giving it 2 to 2½ times more per capita than its poor colleagues - whereas now it is being offered an 11 per cent share.

"On the most generous interpretation of Edinburgh," one senior EC official said, "you just about arrive at £17bn for Ireland. Even £17bn would leave Ireland measurably in front of the other three" on funding per head. "There's only so much we can do to get [Mr Reynolds] out of a hole he's dug for himself."

An ambassador from one of the "Cohesion Four" said the

three others were not ready to be flexible. It was not reasonable for anybody to offer something which differs substantially from what was approved by the Edinburgh summit.

If the package is not wrapped up this week for delivery to the European Parliament next week, funding is unlikely to start next January.

It is understood, however, that Mr Reynolds' government is examining ways of dressing up the offer to Ireland, by trying to squeeze more money out of Community regional funding and out from unspent 1989-1993 aid funds.

## Jobless total up again in west Germany

By Christopher Parkes in Frankfurt

THE unemployment rate in western Germany edged up to 7 per cent last month as recession continued to plague the economy and the summer lull took its toll. This compared with 6.9 per cent in May and 6.6 in June last year.

People drawing benefit rose by an unadjusted 18,300 to 2,17m. Seasonally adjusted the increase was close to 30,000. But the official jobless total was also reduced by tighter controls on registration.

While some 315,000 people were newly registered as unemployed during the month, a further 297,000 "ended their unemployment", according to an official statement. However, vacancies were down 8 per cent on June last year.

Separate figures from the Federal Labour Office showed that in May 482,000 (1.7 per cent) fewer people were in

work in the west than in the same month last year.

Pressures on the labour market were also illustrated by a reduction in new apprenticeships from almost 44,000 in June last year to 24,000.

Meanwhile, numbers working short-time in the region during June fell 41,500 to around 897,000. There was also a modest increase in joblessness in the east, where the rate was unchanged on the month at 14.4 per cent, although slightly down on the 14.7 per cent recorded in June last year.

Although there are some signs that the recession is bottoming out, unemployment is expected to continue increasing as industrial employers slim down their operations to restore lost competitiveness.

Diesel engine and plant maker Klockner-Humboldt-Deutz, for example, yesterday announced that a further 2,000 jobs would have to go.

## Serbian court rejects plea for Draskovic

By Laura Silber in Belgrade

SERBIAN opposition leaders were meeting last night to decide whether to call mass protests in Belgrade after the supreme court rejected an international appeal to release the ailing opposition figure, Mr Vuk Draskovic.

President Slobodan Milosevic of Serbia yesterday ignored a plea from Mrs Danielle Mitterrand, the French president's wife, to release Mr Draskovic who last week began a hunger strike in protest against his imprisonment. Mr Draskovic and his wife were arrested and severely beaten at a demonstration in Belgrade last month at which a policeman and a protester were killed.

"He [Milosevic]... did not conceal his displeasure at having to see her," said a member of the Serbian delegation who attended the one-hour meeting. Mr Ivica Dacic, spokesman for Serbia's ruling Socialists, dismissed as "cynical" the intervention of Mrs Mitterrand "while Serbia was in a dungeon".

Leaders of the Serbian Renewal Movement (SPO), Serbia's biggest opposition party, held closed-door meetings after hospital doctors said Mr Draskovic's condition had "deteriorated".

Diplomats in Belgrade yesterday said the "arrogance" of Mr Milosevic could backfire and prompt unrest in Belgrade, the Serbian capital. "People may take to the streets. The prognosis on Vuk is so bad. The supreme court has basically said it works for the regime."

Meanwhile, Serb and Croat commanders at the last minute pulled out of talks with the commander of the Bosnian army which were to have been held yesterday at Sarajevo airport on the establishment of a ceasefire and the safe havens issue.

Reports from all three sides said fighting continued yesterday in north, central and southeast Bosnia.

In the southwestern city of Mostar, Bosnian radio said Croat forces fired on the 18th century Ottoman bridge, which is a UN landmark and the symbol of the battered city.

Moslem-controlled Sarajevo radio said Serb forces in Brcko in north Bosnia brought in reinforcements after suffering heavy losses in fighting with Moslems.

The UN said many key roads were blocked in central Bosnia where Moslems and Croats, allies against Serbs earlier in the war, are fighting for territory.



Images of death: a Croat soldier crouches with his gun at a school window in Mostar above a graffiti skull on the wall below

## Azerbaijan sends in new troops

By John Lloyd in Baku

THE Azerbaijan government has sent troops and tanks to the front-line town of Agdam on the border of the disputed enclave of Nagorno-Karabakh in a desperate bid to stop the advancing Karabakh Armenian forces from taking it. The regional centre's fall would be a severe blow for the new government of Mr Gaidar Aliyev, the former Communist party first secretary who is now acting head of state.

The Azeri defence ministry said yesterday that as many as 2,500 soldiers had been sent to the front on Sunday and Monday with about 20 tanks. It claimed some villages around the town, captured and burnt by the Armenian forces over the weekend, had been retaken. However, eyewitnesses in Agdam said there were fewer than 2,500 fresh troops and there was no indication the siege of the town had been lifted.

Unconfirmed reports also pointed to the presence in Agdam of Mr Suret Huseynov, the new Azeri prime minister and former commander of the Azeri counter-offensive in Karabakh last year. It was his threat last month to march on the capital, Baku, with soldiers loyal to him that caused the downfall of President Abulfaz Elchibey and the return to power of Mr Aliyev - as well as his own elevation.

## Brussels presses Italy over steel

By Andrew Hill in Brussels

THE European Commission will today renew pressure on Italy to fall in line with Community plans to restructure the ailing EC steel industry.

Concern is growing in Brussels that Italy's reluctance to amend its plans to restructure Iva, the state steel producer, could derail EC steel policy. To try to force Italy's hand, the Commission is likely to open a formal procedure today to recover state subsidies allegedly being pumped into Iva.

Commissioners will also debate proposals intended to stop the Italian state continuing to finance Iva's losses, which one Brussels official estimated yesterday at £150m (£115m) a month.

The Italian government says Iva is not receiving state aid as such and refuses to make the capacity cuts which Brussels is demanding in return for the subsidies.

Commission officials said yesterday the latest move was intended mainly as a threat to the Italian government.

Brussels is already blaming the Italian stubbornness - in particular, Iva's alleged attempts to block an independent study of the company - for the probable postponement of this month's crucial meeting of EC industry ministers. That meeting was supposed to decide on a handful of highly sensitive cases of state aid to producers in Spain, east Germany and Italy. It would lay the ground for formal agreement on a wide-ranging overall plan for capacity cuts.

Today, Mr Karel Van Miert and Mr Martin Bangemann, competition and industry commissioners respectively, will tell Mr Melchior Wathelet, Belgium's economics minister who will chair the meeting, there is no point going ahead while the Italian case, in particular, remains unresolved.

## Le Pen visit ends in transit lounge

By Rachel Johnson

AT LEAST he landed this time. Repelled by the hoteliers and local authorities of Dublin and Edinburgh, Mr Jean-Marie Le Pen, beacon of Europe's far right, arrived on British soil yesterday - to spend an hour in a dingy Heathrow office - defending himself against accusations of fascism and profligacy.

He then flew on to Rome - a city where Mr Le Pen, mentioning Mussolini, said he was "always welcome and courteously received".

This was in contrast to the reception his plans to attend meetings in Dublin and Edinburgh met this week. Edgy, anxious to avoid demonstrations, bounced his bookings and Edinburgh council called his proposed visit "an affront to the people of Edinburgh".

Airport police yesterday forced Mr Le Pen to confine his visit to the British Isles to a suffocating conference room between Terminals One and Two.

Inside, Mr Le Pen contended with hostile questioning about his views and the serial junketing that took him to a 5-star hotel in Corfu a fortnight ago and raised questions in the European Parliament about the abuse of public funds. Mr Le Pen produced figures which he claimed showed his accounts were clean.

He said the treatment he had received in Edinburgh and Dublin was "a defeat for the European Parliament, a defeat for democracy and a defeat for international courtesy, but not a defeat for us." As an MEP he held diplomatic status and should be able to travel freely throughout Europe.

Anti-fascist groups would not prevent him from visiting (or trying to visit) one EC country a month, he said.

Having dealt with hospital-ity hiccups, he moved on to the issue of immigration. Mr Edouard Balladur, the prime minister, was a "dinosaur" whose new laws would be hopeless to prevent a "torrent migrant".

## Parliament votes today on a package vital to government finances

## Mini-budget a mega-event for Hungary

By Nicholas Denton in Budapest

HUNGARY'S conservative government is set to force through parliament today an emergency budget as unpopular as it is essential to bring wayward government finances into line.

The vote is a crucial test of the parliamentary majority commanded by Mr Jozsef Antall, prime minister, in the wake of recent defections from his Hungarian Democratic Forum. Extreme nationalists led by Mr Istvan Csurka have broken away to form the far-right Hungarian Justice party, and restlessness among the Forum's two coalition allies has even led to speculation that the government could - like the Polish government - fall over the fiscal measures.

But none of the three conservative coalition parties is ready to fight an election and the controversial proposal to increase VAT on food and other staples from 6 to 10 per cent is now expected to pass

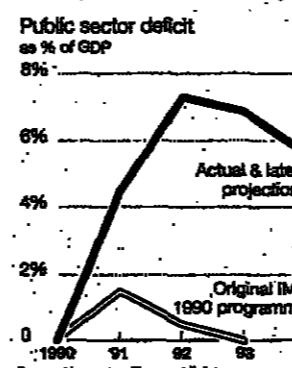
today's vote, giving the government a breathing space until autumn and possibly until elections slated for next May.

The budget package aims to bring down the public sector deficit from last year's 7.3 per cent of gross domestic product to 6.8 per cent this year and 5.6 in 1994. But slippage is likely. Past budget forecasts have been notoriously over-optimistic, while social security has recently come under partial control of the ex-Communist unions who want pensions to catch up with inflation.

Officials expect, however, that package will be approved and make possible a new accord with the International Monetary Fund, which suspended credits when Hungary's budget deficit soared through agreed parameters in mid-1992.

Agreement with the IMF would allow Hungary to take up \$700m in IMF facilities over 18 months and clear the way for World Bank credits to help restructure the most indebted companies and recapitalise the

### Hungarian economy

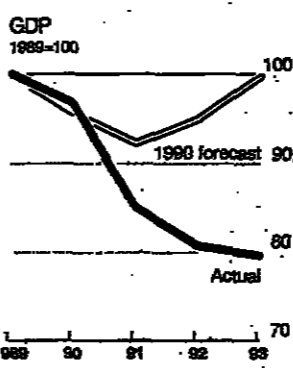


largest commercial banks after massive loan losses.

With so much riding on the mini-budget, Mr Ivan Szabo, finance minister, says: "If parliament rejects this, we might as well put up the shutters."

While the package may satisfy the IMF, it will not by itself right Hungary's public finances. Underlying the budget deficit is a 19 per cent decline in GDP between 1989 and 1992, and further stabilisation

### GDP 1989=100



tion of government finances must await economic recovery.

But Hungary's recession is in some respects only now impacting on the budget. Falling profits at the state utilities have induced the government to opt for a form of privatisation which lowers expectations of direct sales proceeds.

The devastating impact of last year's bankruptcy laws on the capital strength of financial institutions is also only

now becoming clear. Tax revenue from them was formerly a budget mainstay but this year the government plans to inject about Ft100bn (£720m) into the troubled banks in special bonds and in future the budget will have to service the debt.

Most of all, however, the budget outlook depends on the timing of recovery. The government earlier predicted a rebound of 0.3 per cent. But the finance ministry now expects a decline of the same order. The main reason is recession in Germany and Austria, Hungary's two main trading partners. First quarter exports to developed countries dropped 30.5 per cent compared with 1992 and domestic demand cannot compensate.

Mr Almos Kovacs, deputy state secretary at the Finance Ministry, says bluntly: "For Hungary, growth without exports is impossible." This leaves Hungary and its budget drafters, like everyone else in Europe, waiting for the Bundesbank.

## The infection deep inside Italy's health ministry

### Haig Simonian dissects the latest stream of corruption revelations

THE stream of revelations about corruption in Italy's ministry of health suggests health was at least as lucrative an activity for Italian politicians as telephones and transport - two of the main areas of corruption revealed so far.

The investigations have triggered the arrest of a string of leading executives from the pharmaceuticals, advertising and public relations sectors. They have tarnished the reputations of some of Italy's top medical men and already caused one probable suicide.

At the root of the investigations are Mr Francesco De Lorenzo, the former health minister, who resigned in February after being accused of running a jobs-for-votes scam in his native Naples, and Mr Giovanni Marone, his ex-secretary. Mr De Lorenzo, for whom magistrates have asked that his parliamentary immunity be lifted, has pleaded innocence. Mr Marone, arrested earlier

this year, has sung like a bird.

So far, his testimony, widely leaked by magistrates, has cut a swathe through the medical and pharmaceuticals establishment, taking a good swipe at advertising and PR on the way. The impact of the allegations is that the ministry and some of its top officials were open to financial incentives for a variety of favours.

Magistrates have arrested Mr Ambrogio Secondi and Mr Cristiano Steigler, chairman and managing director of the Italian subsidiary of SmithKline Beecham, the multinational pharmaceuticals group.

Other arrests include Mr Giampaolo Zambelletti, the former owner and managing director of one of Italy's leading independent pharmaceuticals companies, and Mr Claudio Cavazza, chairman of Sigma Tau, another leading

independent pharmaceuticals group.

Mr Secondi is also chairman of the industry association, while Mr Cavazza is a former chairman.

The latest arrests take to double figures the number of leading drug company executives arrested in the past fortnight. Others include Mr Andrea Montecocchi di Schiaparelli and Mr Paolo Raimondo of Zamboni.

Mr Zambelletti, accused of making illegal contributions to political parties, allegedly paid £600m (£235,750) to an advertising agency for fictitious services. The money in fact went to finance the election campaign of the small Liberal party, of which Mr De Lorenzo is a leading member.

Mr Secondi and Mr Steigler have also been arrested regarding allegedly illegal contribu-

tions. They are accused of giving Mr Marone £600m to a speed up approval procedures and influence pricing policy.

This week, the plot thickened with the arrest of Mr Elio Guido Rondanelli, one of Italy's best-known medical academics, and the issue of cautionary warrants against Mr Duilio Poggolini and Mr Francesco Antonio Manzoni, two leading medical academics closely linked with the health ministry.

All three men also sat on Italy's independent pharmaceuticals pricing advisory committee, which reports directly to the ministry on the sensitive issue of drug prices. According to the magistrates' allegations, some committee members received kickbacks from drug companies to influence their decisions. Last month, a morbid twist was added to the tale

with the mysterious death, believed to be suicide, in Naples of Mr Antonio Vittoria, chairman of the pharmacy faculty at Naples university and a committee member.

However, the allegations about the health ministry go much further than drugs, reflecting the fact that its edict covers a range of other, less obvious sources, of patronage.

Last week, police arrested Mr Carlo Violati, the former chairman of the Ferrarese mineral water company, on charges of making illegal political contributions. Mr Violati allegedly paid £200m to Mr Marone to speed up analytical work by the ministry.

Italy is the world's biggest mineral water market, and brands compete fiercely on a variety of factors, including

the "healthiness" of their products. The allegations against Mr Violati have already led to suggestions that other entrepreneurs may also have sought to accelerate the ministry's activities.

The investigations into the ministry have also broken new ground in that they for the first time in the corruption scandal involve third parties, such as advertising agencies and big PR companies.

According to Mr Italo Ghitti, one of the Milanese magistrates closely involved in the investigations: "Not only did some agencies pay kickbacks, but they also lent themselves as channels for kickbacks to be paid."

Magistrates yesterday arrested Mr Claudio Masi di Vargas Maciucca, managing director in Italy of the FCB Mac/Publiads advertising

agency. The arrest followed the detention last month of Mr Alessandro Inceochi, a former managing director of the Young & Rubicam advertising agency in Italy, and Mr Marcello Di Tondo, an executive of the Burston Marsteller group.

Mr Di Tondo's arrest is believed to concern allegations over the health ministry's big anti-Aids campaign - the same issue that prompted the arrest last month of Mr Aldo Brancher, an executive of Mr Silvio Berlusconi's Fininvest media group.

Mr Brancher, a lobbyist for Fininvest and assistant to Mr Fedele Confalonieri, its managing director, allegedly paid Mr Marone £300m in kickbacks on a television advertising campaign during the anti-Aids campaign. According to normally reliable leaked testimony, Mr Brancher, who is still in jail, has claimed he was acting in a private capacity on behalf of his own company rather than Fininvest.

## Machine tool body proposes policy for industry

By Andrew Baxter

THE European Commission will shortly begin a new round of talks which could lead to Europe's first formal industrial policy for the fragmented and recession-torn mechanical engineering industry.

Mr Alexander Schaub, deputy director general of its DG III division, confirmed yesterday that he had received a proposal paper from Cecimo, the umbrella body for 14 European machine tool associations, on a possible industrial policy for machine tools.

The unpublished document, obtained by the FT, is part of a much wider proposal being prepared by Orgalmex, liaison group for the European mechanical, electrical, electronic and metalworking industries, for an EC industrial policy covering the entire mechanical engineering sector.

The industry believes such a policy could be vital in helping it counter foreign competition more effectively.

According to Cecimo, the machine tool industry is facing heavy competition mainly from Pacific Rim countries such as Japan, South Korea, and Taiwan because of its strategic position at the core of all key manufacturing industries.

"Without a firm industrial and trade policy, there is a risk that, in the future, Japan could decide what type and how European cars should be built."

Cecimo says it is not looking for hand-outs, but for the means to allow individual companies to "achieve their own strategic objectives." Among its proposals are:

- raising ceilings on company size in last year's EC guidelines on state aid for small and medium-sized enterprises (SMEs), so more machine tool builders can benefit;
- introducing measures to stimulate investment by SMEs in medium and high-technology capital goods;
- early adoption of the European company statute, to create the legal environment for establishing companies of an optimum size;
- clarification of several overlapping EC directives affecting the machine tool sector.

Mr Schaub said he hoped a decision would be made by the end of this year on whether to prepare a formal communication on industrial policy for mechanical engineering.

Any communication, however, would be based on the EC's "horizontal" rather than sectoral approach to industrial policy. Failing that, the talks would at least clarify what help the sector could reasonably expect from the Community.

Cecimo was already concerned about the effects of the recession in early 1992 when it presented an initial document listing the industry's problems to Mr Schaub. Since then, conditions have worsened. Employment in the Cecimo countries, which include Switzerland, Austria, and Sweden, fell 12 per cent last year to 166,000, excluding eastern Germany.

Its latest document points out that there are some 1,500 European machine tool producers employing an average 125 people each.

Companies making standard machine tools are too numerous and too small to compete effectively on a world market, says the Cecimo document, while the more specialist producers often lack the financial power to develop a global presence and weather recessions.

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مكة امه الاص

# Mercury to start in-flight phone lines

By Andrew Adonis

MERCURY Communications, a subsidiary of the UK's Cable and Wireless group, plans to launch what it claims is Europe's first "air-to-ground" telephone service later this year.

If the service is taken up by airlines, it will offer air travellers telephone, fax and a range of value-added services like electronic games and in-flight shopping, using base-stations and satellites to provide the necessary links to land-based networks.

The service is to be provided by a joint venture company called In-Flight Phone Europe, bringing together Mercury, In-Flight Phone International, a company providing a similar service in the US, and Ireland, a private investment group.

Travellers will access the digital network through a telephone handset in the arm-rest of their seat, selecting services from a viewing screen on the headrest of the seat in front of them.

Rates for telephone calls will start at £2 a minute for non-international calls, charged auto-

matically to a credit card.

The initial cost of establishing the network, which will require 60 terrestrial ground stations to provide a complete service, is believed to be around £10m. In-Flight Phone International said it had invested \$90m (£53.3m) in its similar US system, which is in the process of being installed in 400 planes operated by USAir.

Mr Mike Harris, Mercury's chief executive, said: "the ability to make calls and receive messages in the air marks a significant breakthrough in communications for all European passengers."

The first phase of the network construction is expected to be finished by the end of this year, with all the ground stations in place by 1995. The equipment will be compatible with both European and North American standards and frequencies.

With telecommunications companies seeking to maximise revenue from value-added services, innovative products like In-Flight Phone, produced in partnership with niche companies, look set to become increasingly common.

## UK cover for Poland resumed

THE Export Credits Guarantee Department, the UK's official export credit insurer, has resumed medium-term cover for Poland after an 11-year lapse which followed Poland's partial default on its foreign debt in 1982, writes Anthony Robinson.

Mr Richard Needham, the UK trade minister, said cover would be available on standard OECD terms to support exports of capital goods, semi-capital goods and services to Poland.

Resumption of ECGD cover, designed to improve UK exporters' opportunities in the Polish market, reflects Poland's successful renegotiation of its \$33bn (£22bn) debt to the Paris Club of official creditors in 1991.

Polish-UK trade has grown over the past two years but has been held back by bank financing difficulties and the lack of ECGD cover. In 1992 UK exports, boosted by rising oil sales, increased to £265m from £247 in 1991 while Polish exports to the UK rose from £13m in 1991 to £36m last year. The first quarter of 1993 showed gains, with UK exports up 65 per cent to £170m while imports from Poland rose 20 per cent to £101m.

# China on a wing and a prayer

Simon Holberton on a Hong Kong investor's move to mainland

## 外商投资

"I WENT to have a look, and there I was standing knee deep in a paddy field talking to the village headman who boasted that his was the best village in China."

On the strength of that, Mr Patrick Wang, managing director of Johnson Electric, one of the world's leading manufacturers of micro-motors, made the most important decision in his company's life.

The year was 1982 and the place Shajing, a small rural village in Guangdong province north of Shenzhen.

Today in Shajing - which has been transformed from a sleepy rural community to a light industrial town - Johnson produces 90 per cent of its output of micro-motors - motors for electric windows in Volkswagens, General Motors and Chrysler cars and a host of household appliances and power tools.

In the space of a decade the Hong Kong-based Johnson has gone from employing a few hundred to 7,000 workers at its Shajing factories. Mr Wang

reckons that his prices would have had to be 30 per cent higher if he had stayed in Hong Kong and if he could have found the people to hire - a big if.

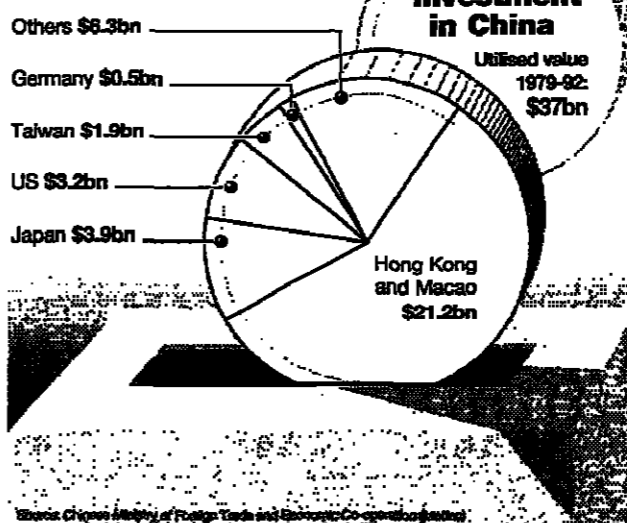
He says his investment in China has been paid back "many times over", and points to Johnson's post-tax return on investment of 20 per cent over the past few years. However, investing in Shajing has not been trouble-free.

"We had problems at different stages," Mr Wang says. "Initially electricity was not a problem, but as more factories set up in Shajing it became one. There was rationing, so we put in our own power plant. Water was also a problem. We were forced to dig our own wells and when they ran dry - because the water table had fallen - we had to dig deeper."

The explosive growth in industrial activity also took its toll on the workforce. Today, Mr Wang says, most of Johnson's original employees, having got rich, have moved elsewhere. The workforce now comes from China's interior and that means having to house them.

For most of Johnson's decade in southern China the output of its factories has been

## 外商投资



destined for foreign markets. This will change after two joint-venture companies it has established begin to turn their attention to the domestic Chinese market.

For him, two things stand out: understanding the value of *guanxi* (connections) and knowing the local language and, if possible, more than one dialect.

"Connections are always useful in China," he says. "One gets a lot more information if you know the right people."

Access to information is explicitly linked to *guanxi* networks. Information is held within the network and exploited for profit.

"There will be crackdowns on corruption, but China is China. It's not too different from the way Taiwan was. But it is not something that is out of hand, with no regard to the overall economics of a venture, like it is in Indonesia."

Developing a network is something to which Mr Wang is devoting considerable time. "I attend shows and technical seminars, use referrals and word of mouth. Also a lot of our customers - such as Volkswagen, General Motors and Chrysler - have operations in China and we can sell to them. You have got to use whatever you have."

He believes that for a western company, cracking the Chinese market is difficult. "You cannot depend on finding management or administrators in China - they do not exist," he says. "Western companies will have to identify managers in their companies who represent the core values of the organisation. If they decided the China market is crucial to them they then have to send them to live in China."

## Pirelli wins \$53m cable contract

By Haig Simonian in Milan

PIRELLI, the Italian tyres and cables group, Alcatel of France and AT&T of the US have won a \$53m (£35.3m) contract for more than 600km of underwater fibre optic cable for an ambitious communications scheme in South America.

When completed, the new Unisur network will link Brazil to Uruguay and Argentina, greatly improving voice and data links in the southern cone of Latin America.

Unisur's four new fibre optic cables will eventually be able to carry up to 80,000 simultaneous telephone conversations. Unisur comprises 25 international telecommunications carriers, including companies from Latin America, the US, Italy and Spain. Once connected with the existing Americas-1 fibre optic network, subscribers will gain a direct fibre optic telecoms link stretching from southern Latin America along the Brazilian coast to the Caribbean and North America.

The link will also allow Brazil, Uruguay and Argentina to hook up with another new fibre optic network, Columbus II, providing a continuous fibre optic connection under the Atlantic to Europe.

## Malaysian power plan unveiled

MALAYSIAN Resources Corporation (MRCB) disclosed late yesterday plans to take over a proposed M\$3.5bn (£899m) power station project and acquire a listed vehicle for the power venture, AP-DJ reports from Kuala Lumpur.

The announcement came a week after the company completed M\$900m in acquisitions that gave it control of two national media groups.

The transactions will transform MRCB into the nation's largest independent electricity producer, fleshing out the company's speedy metamorphosis from a small property concern to a diverse group.

It is controlled by parties allied with Mr Danuk Seri Anwar Ibrahim, finance minister, with equity interests in two planned electricity projects and controlling stakes in Malaysia's largest print media group and only private television broadcaster.

But MRCB's rapid ascension has left it saddled with a cumbersome debt burden.

Analysts said they saw the latest power-related proposals adding to the burden while offering no immediate return.

## Nafta jitters aid US-Mexican trade balance

By Nancy Dunne in Washington

THE uncertainty over passage of the North American Free Trade Agreement through the US Congress has led to a narrowing of the US trade surplus with Mexico and a fall-off in US exports to its southern neighbour, economists say.

The so-called "Nafta jitters" may prove the Clinton administration's argument that a strong Mexico is a better market for US exports, they add.

In April, the last month for which the US Commerce Department has figures, the US trade surplus with Mexico fell to \$264m (£176m), from \$399m in March and \$501m in March 1992. US exports to Mexico in April dropped from \$3.7bn to \$3.6bn.

According to an analysis produced by First Chicago Bank, the tightening in Mexican monetary policy, which began about 14 months ago, has eased demand for imported goods, "while the fitful recovery in the US is increasing the demand for Mexican exports".

Since December the rate of growth of Mexican exports to the US had been higher than imports - for the first time since March 1990, said First Chicago.

"Mexican exports to the US are now increasing at three times the rate for imports from the US."

A Mexican official said: "When people are ready to jump the ship because of

Nafta, because of a worry about devaluation, the government is forced to tighten the ship." Interest rates have risen to more than 15 per cent, hurting business and depressing demand.

"The rate of growth in Mexico is slowing," said Mr Chip Brown, an economist with Salomon Brothers.

"Mexican exports to the US are now increasing at three times the rate for imports from the US"

The Clinton administration has been arguing - without much success - that 300,000 American jobs gained in the past few years would be lost if Nafta failed. Most US voters are sceptical of such claims; they are more conscious of the thousands of jobs lost when factories shut down to relocate in Mexico.

According to First Chicago the current trade trends will be sustained by continued slow growth in Mexico and the economic recovery in US.

According to Mr Brown, the slowing of the Mexican economy is a good sign as "people can worry less about the balance of payments and the Mexican government would be less likely to devalue the peso".

# At 10:45 this morning, another legendary event occurred in Nottinghamshire.



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## NEWS: THE G7 SUMMIT

# US and Japan seek to break trade deadlock

By Charles Leadbeater and Jurek Martin in Tokyo

NEGOTIATORS from the US and Japan were last night preparing for two days of intensive talks in an attempt to break the deadlock over a framework governing trade between the two countries.

However, US officials played down the prospects of an imminent breakthrough based upon compromise proposals made late last week by Mr Kiichi Miyazawa, the Japanese prime minister.

Mr Miyazawa's proposals have breathed new life into the bilateral talks, which resumed on the eve of this week's Group of Seven economic summit in Tokyo after stalling 10 days ago. However, the two sides are still sharply divided. Japan is resisting US calls for Tokyo to accept numerical targets for increasing imports and reducing Japan's \$50bn current account surplus with the US over the next three years.

President Bill Clinton, speaking after an hour long meeting with Mr Miyazawa yesterday afternoon,

admitted that the talks were in a critical period and were not "free of difficulty".

Mr Clinton praised Mr Miyazawa for reaching across the gap which divided the two sides to keep the talks alive. Mr Clinton said: "We have hopes. I do not want to raise hopes, but we have hopes."

Japanese officials said Mr Clinton called Mr Miyazawa's proposals a "useful first step". However, the Japanese proposal falls short of US demands in crucial areas.

Japan's government says it will

stimulate domestic demand to promote growth, which will contribute to reducing the trade surplus. However, it explicitly rules out targets to reduce the surplus to between 1 per cent and 2 per cent of gross national product, which the US has called for. Tokyo has conceded that it will use quantitative criteria retrospectively to monitor progress in expanding the foreign share of the Japanese market. However it has ruled out using these measures as targets to guide policy.

A senior Japanese official said:

"We fear that as soon as we include a target it will be taken in the US as a commitment on our part to make sure that it is achieved."

Mr Clinton stressed the US commitment to its often overlooked security alliance with Japan, as a counterpoint to the tensions over trade. He emphasised the US would maintain its military engagement in Asia, a theme he will take up at greater length today in a wide ranging speech at Waseda University on the US role in Asia.

Mr Clinton took a benign view on

the political turmoil in Japan created by the splits within the ruling Liberal Democratic Party which triggered the general election on July 18. He said the political upheaval would eventually benefit Japan by strengthening its democracy.

However, US officials recognise that if they do not strike deal on trade with Mr Miyazawa's weakened administration in the next few days they may have to wait weeks if not months before a new Japanese administration is in place to resume substantive negotiations.

## Major to 'badger and bully' for Gatt progress

By Peter Norman

MR John Major, the UK prime minister, last night promised to "badger and bully" to achieve progress on the stalled Uruguay Round of trade liberalisation talks at this week's Group of Seven summit in Tokyo.

Declaring that growth, unemployment and trade were the "centrepiece" of the summit, Mr Major said it was important to make progress on trade this week.

"I very much hope that by the end of the summit, we shall have a market access agreement opening up markets, lowering tariffs and increasing trade," he said.

Shortly after his arrival in Tokyo, the prime minister said, he also hoped the summit could reach agreement to return to the full multilateral trade talks in Geneva. But "it won't be easy," he warned.

Mr Major was speaking as trade ministers from the so-called Quad group - comprising the US, the EC, Japan and Canada - settled down for talks late into the night on the hoped-for market access pact designed to lower tariffs on a wide range of manufactured goods and services. If successful, the Quad talks could give new impetus to the Uruguay Round.

Mr Major said Britain could quickly reach agreement on the Round but other countries had difficulties. British officials pointed out that even if progress was made on the trade talks this week, the outcome would have to be "multilateralised" and be accepted by the wider Gatt membership.

The prime minister said he would advocate supply side economic policies to encourage growth in the industrialised world and would push in the G7 meeting for future economic summits to be more simple.

Mr Major said President Bill Clinton had been right to speak of a crisis of slow growth in the G7. With 25m people out of work in the G7 countries "the only thing that is growing fast is unemployment," he said.

Clinton (left) and Miyazawa enjoy a lighter moment in Tokyo yesterday

## EC urges Miyazawa to stimulate growth

By Peter Norman, Economics Editor, in Tokyo

THE European Community yesterday pressed Japan to open its public procurement more to European products and suggested that Japan should cut income tax to help boost its economy.

At an EC-Japanese summit on the eve of the Group of Seven leading industrial nations' economic summit in Tokyo, the community delegation said it was "disappointed" at the efforts made so far by Japan to stimulate economic growth. It described Japan's \$150bn annual current account surplus as a "macro-economic problem for Japan and the world".

Mr Henning Christophersen, the EC's commissioner for economic and monetary affairs, said Japan's two economic packages agreed last August and in April would not be sufficient to raise Japan's growth rate to its potential of 3 to 3.5 per cent a year. He also criticised Japanese growth measures as being mainly designed to increase demand for domestically produced goods and services. They would not promote growth elsewhere in the world, he said.

The EC delegation called on

Mr Kiichi Miyazawa, the Japanese prime minister, to urge measures to cut Japan's current account surplus as a share of gross domestic product from the 3.7 per cent recorded in the second half of last year. Mr Christophersen said he feared that Japan's surplus could grow further next year to 4 per cent of GDP.

But the talks, while frank, appeared not to have been acrimonious. Mr Miyazawa admitted that Japan's current account surplus was embarrassing and said Japan wanted to increase domestic demand.

However, Sir Leon Brittan, the EC trade commissioner, said the Japanese leader gave no specific promise to take action. Mr Miyazawa asked the EC delegation if it had any ideas that could help, at which point the EC suggested that Japan cut income taxes.

On one issue, the EC and Japan were united. Sir Leon said the community had made clear that it did not support the US idea of "managed trade" to curb Japan's surpluses.

However, he told a news conference that the community would seek a "fair opportunity" to supply goods to Japanese public bodies.

He complained that the US had gained four times more than the EC from Japanese efforts to open up public procurement to foreign suppliers last year.

In the months ahead Japan Airlines (JAL) would be seeking engines for its new Boeing 777 aircraft and Japan's self defence forces would be looking for new executive jets. The EC expected that its companies would be considered as suppliers.

However, senior Japanese officials said Japan's public sector was more willing to buy foreign products than either the US or the EC. They said that more than 14 per cent of Japanese public procurement went to foreign suppliers in 1991.

In 1990, according to the latest available figures, EC public bodies bought less than 2 per cent of their needs from foreign suppliers, while in the US foreign suppliers met 11.9 per cent of public sector needs, the officials said.

The officials also said that Japan's bilateral trade surplus with the EC was declining. It fell 7.6 per cent in the first five months of this year, compared with the same period a year ago, they said.

## Tokyo pushes to win entry to bigger security council

By Charles Leadbeater and Peter Norman in Tokyo

JAPAN yesterday formally lodged its bid for a permanent seat on an enlarged United Nations security council by pledging that it would discharge all the obligations that this would entail.

Japan's response to the UN on plans to restructure the security council calls for it to be expanded to about 20 members. In choosing permanent members the UN should give due weight to the country's political and economic weight in the world, according to the Japanese.

Tokyo's campaign for a permanent security council seat, which has recently won the support of the US, may put it at odds with the UK and

France. Japanese officials stressed that the proposal for an expanded UN security council was intended to avoid disadvantaging existing members.

Mr John Major, the UK prime minister, said the question of Japan's wish for a seat was one that needed to be taken "very gently".

Speaking shortly after his arrival in Tokyo for the Group of Seven summit, Mr Major said there were "lots of ramifications," not least the competing demands of other countries that would like to be permanent members of the security council.

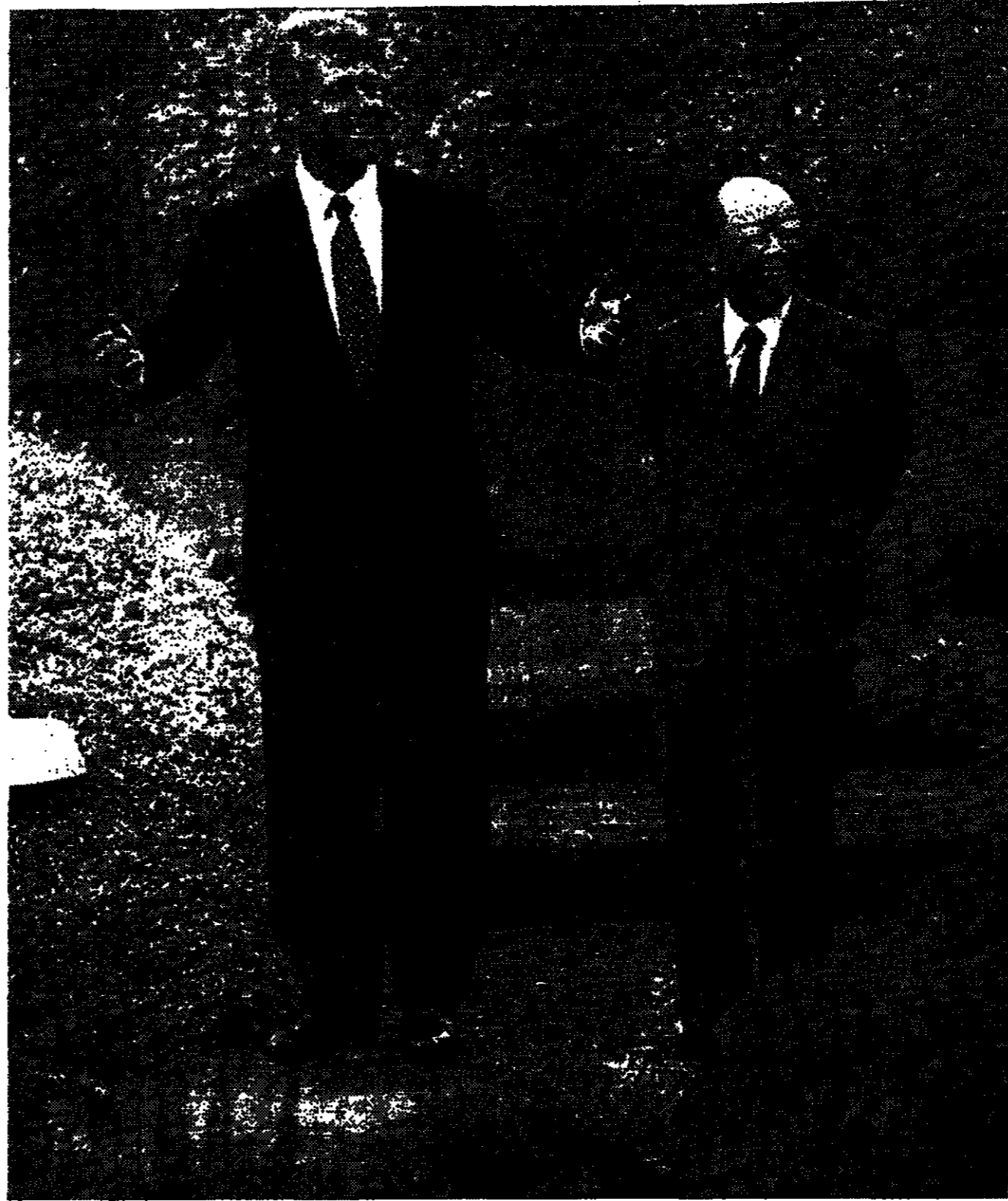
Discussions on the issue would last for some time, he predicted.

Japanese officials have taken a low key approach to winning

support for their campaign. Mr Kabin Muto, the foreign minister, said that Japan wanted to make the security council more representative while maintaining its effectiveness in dealing with international disputes.

He said Japan wanted the restructuring of the security council to coincide with the United Nations' 50th anniversary in 1995.

Japan's claim to be ready to deal with the crises the security council addresses was undermined by it missing the deadline for responses to the UN consultation paper on the council's future. This was because different arms of the bureaucracy were at odds over how many seats the expanded council should have.



## 'Lack of leadership' hits Uruguay Round hopes

By David Gardner in Brussels

THE chances of concluding a Uruguay Round world trade reform deal are slipping away because "nobody is exerting the leadership to force this thing through," according to Mr Dean Kleckner, president of the American Farm Bureau, the US agricultural lobby.

Mr Kleckner, in Europe for talks with the EC Commission, French farm organisations and General Agreement on Tariffs and Trade officials in Geneva, said he had arrived with "a little better than 50/50" prognosis for the Round, but was leaving Brussels feeling the odds were now against a deal. If the Round failed, he

warned, "we are going to enter a period of trade wars, Gatt [dispute] panels... and more regional and bilateral trade deals," in which the US would turn its back on Europe. Mr Kleckner had been a strenuous lobbyist in the 18 months of negotiations leading up to last year's EC-US deal on farm trade and oilseeds sub-

dies, reached at Blair House in Washington and one of the foundation stones of any eventual Uruguay Round success. The oilseeds agreement was ratified by the EC last month, but French opposition to curbs on subsidised food exports has called into question the rest of the package, which is part of the Uruguay Round proper.

Mr Kleckner said he won assurances from senior Commission officials that the EC regarded the deal as indivisible. But he warned that if the Uruguay Round part of Blair House "is going to be renegotiated, oilseeds has to be renegotiated too. We didn't think that was a very good agreement at all."

## NEWS: THE AMERICAS



PRD leader Cuauhtémoc Cárdenas (left) has lost ground to President Carlos Salinas' PRI party

## Ruling party powers ahead in gubernatorial elections

By Damian Fraser in Mexico City

MEXICO'S ruling Institutional Revolutionary party (PRI) has won an overwhelming victory in elections for governor of the state of Mexico, the country's most populous state and formerly a region of opposition strength.

With counting almost completed the PRI had won 57.9 per cent of the vote, the centre-right Party of National Action 16.5 per cent, and the leftist Party of Democratic Revolution 8.1 per cent.

Although both opposition parties complained of irregularities, the result is undoubtedly a blow to the PRD, whose leader, Mr Cuauhtémoc Cárdenas, has declared his candidacy in next year's presidential election, when President Carlos Salinas de Gortari stands down. Mr Cárdenas carried the state in the 1988 presidential election, and in the 1990 gubernatorial election the PRD won 14 per cent of the vote.

The PRI also won a sweeping victory in the election for governor in the state of Nayarit,

obtaining 57.7 per cent of the vote, against 27.5 per cent for the PRD, with nearly 90 per cent of the vote counted. However, the PRD managed to win two of the 18 elections for state deputy.

While more peaceful than elections in 1990, the opposition described the State of Mexico poll as "unequal, inadequate and anti-democratic".

Apart from criticising the PRI's heavy spending and control of the electoral process, the opposition said the ruling party changed voter lists at the last moment.

## Mexico City puts its property money where its slums are

Damian Fraser on an ambitious real estate development

ON THE western outskirts of Mexico City lies Latin America's largest and most ambitious real estate project. What a few years ago were slums, strip mines and rubbish dumps are soon to be sparkling corporate offices of some of Mexico's best-known companies - Televisa, Banca Serfin, Bimbo, and the subsidiaries of Goodyear, General Motors, Hewlett-Packard and Mercedes-Benz.

The \$5bn-\$10bn, 2,100-acre Santa Fe project, just outside the city's most exclusive residential neighbourhoods, is the brainchild of the Mexico City government. Once the poorest and most dangerous part of Mexico City, it is now the most striking symbol of what is fast becoming a property boom in one of the world's largest cities.

After a decade of stagnation, Mexican developers are putting up new office blocks throughout the city - in the financial district, in the fashionable western part of the city and in the south, along the ring road.

According to Softec, a consultancy, some 575,892 sq m of top quality "AAA" office space is under construction, more than the existing stock of such space.

The growth has been fuelled

by optimism about Mexico's economic prospects and the shortage of quality space. A sharp reduction in interest rates from 50 per cent or more a few years ago to less than 20 per cent has also enabled developers to raise the necessary finance. Construction, from accounting for less than 2 per cent of total bank loans, now represents more than 8

group, one of Mexico's biggest property developers. "The first thing we are going to see now is a reduction in prices."

Since 1988, Mexico City's top quality office rents have risen from an average of \$20 a sq m to \$40 last year - making them as much as double as, say, the equivalent in Los Angeles. But Mr Sanchez says rents have stabilised this year, and

the next six to eight years.

By the end of the year stage one will be complete, and Latin America's largest shopping centre, of some 200,000 sq m, and 10 state-of-the-art corporate offices will be open.

Elsewhere the city has given the green light to five new giant five-star hotels, including a 55-storey Ritz Carlton hotel and office block that will be Mexico City's tallest building. The state trade bank is helping to finance the \$100m refurbishment of the huge but unoccupied World Trade Centre, which was started in the 1960s to be ready for the 1968 Olympics but was never completed.

The construction boom is not uncontroversial. Mexico City accounts for some 37 per cent of Mexico's gross domestic product and suffers from some of the world's worst pollution, houses the country's oldest and most inefficient industrial stock and is running precariously short of water.

Mr Homero Aridjis, a poet and environmentalist who has just written a novel on the future of Mexico City, says: "It doesn't matter whether people work in industries, on the street or in universities, they all pollute. What we need is decentralisation and a stabilisation of population."

### What a few years ago were slums are soon to be sparkling offices

per cent.

Mr Juan Enrique Cabot, the city official in charge of the Santa Fe project, says: "If we do not change this city from a manufacturing to service centre, there will not be enough jobs and the informal economy will take over. We have no option but to grow." Mexico City needs to create 100,000 jobs a year just to absorb new entrants into the labour force.

But the boom is already raising fears of a bust, and vacancy rates have started to climb from about 1.2 per cent in 1991, to 7.6 per cent last year. "We have passed the peak," says Dionisio Sanchez, an executive with the Sare

expects them to fall by 10 per cent or more in two years.

With the economy growing by just 2.6 per cent last year - much slower than optimistic developers hoped - demand has failed to keep up with supply. "Just about all developers are betting the North American Free Trade Agreement will be passed," says Mr Sanchez. "and demand for quality space will grow." If the agreement is scuttled, he says, some developers could be in difficulty.

The Santa Fe project is the largest of the score of office block developments. Managed by the city government, it has already received some \$2bn of private-sector investment, and another \$5bn is expected over

## Ecuador boost from World Bank

By Raymond Collett in Quito

THE WORLD BANK has approved a \$75m credit to "reactivate" Ecuador's private sector, particularly agriculture and construction. The aim is to invest in labour-intensive but profitable industries, said government officials.

Mr Leonardo Stagg, director of the Ecuadorian National Finance Corporation, said the \$75m credit was part of a "\$200m joint loan from the Inter-American Development Bank, the Andean Corporation for Development and the World Bank."

Mr Shahid Husain, World Bank vice president for Latin America and the Caribbean, said the World Bank was committed to support programmes of economic growth and development in countries such as Ecuador, which had engaged in serious and responsible projects.

As well as providing desperately needed funds to revitalise the economy, the new credit is aimed at boosting confidence among foreign investors.

"This is a clear indication of the confidence that international credit institutions now have in Ecuador," emphasised President Sixto Durán Ballén. The new credit comes as Ecuador is struggling to renegotiate \$8.5bn in commercial debt with creditor banks.

Handwritten text in Arabic script: "الله اعلم" (Allah knows)

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Anniversary 75<sup>th</sup>

# Nikko does not rest on its past achievements. It is moving forward.



*The Nikko Securities Co., Ltd., celebrates the 75th anniversary of its foundation on July 7, 1993. To mark this occasion, Kichiro Takao, president and chief executive officer of Nikko Securities, gives his views on the Japanese stock market and talks about the future prospects and challenges facing Nikko.*

#### —What is your view of the Japanese stock market?

The stock market has firmly established itself as an integral part of the Japanese economy. I am confident that it will also play an increasingly important role in both the domestic and international economies. I am looking forward to seeing the market develop and grow, and Nikko is mindful of its responsibility and role in promoting this.

During the past three years of contraction, it has become more apparent that the market does not exist only to serve a handful of investors and issuers. We in the securities industry are obliged to enhance the liquidity, transparency and fairness of the market.

#### —What is your management strategy for Nikko?

In terms of the market environment, I think that 1993 is a symbolic year, given the fact that we have to compete directly with banks now that they have been allowed to participate in the securities business. Next year, the broking commission for large-lot stock transactions is also scheduled to be deregulated.

In order to respond to changing market conditions, we have to continue making our operations more cost-effective and more capable of generating increased earnings growth. At the same time, we will vigorously improve our financial engineering and innovation skills so that we will be able to strengthen further our sales capabilities.

Above all, our No. 1 priority remains to maximise customer satisfaction at both the retail and wholesale levels. I believe that continuous cost-cutting efforts are the correct approach to enable us to provide our customers with better quality services. In this connection, we will continue to review and consolidate our branch network with a view to serving our customers in a more cost-effective way by taking advantage of

advances in communications. Similarly, we will have to streamline the company so as to make it capable of functioning more efficiently with less personnel. I would like to emphasise again that the ongoing management objective is to improve the quality of our services. What we are doing is far from retrenchment. Indeed, we are increasing our strategic investment and strengthening our position in the key markets in which we operate.

#### —Is Nikko prepared to face the ever-growing competition in Japan and abroad?

Definitely, yes. We welcome the liberalisation of markets and the presence of new competitors—like banks in the Japanese securities market through their subsidiaries—because we expect such developments to create more business opportunities in the given markets. Of course, they may cause some hard times for us in the short term. But if you have the experience and the expertise, you will become more competitive in the long run.

#### —How do you reshape Nikko beyond the current difficult time facing the whole of the Japanese securities industry?

It is true that the securities industry is now tackling a host of problems which have been overlooked in recent years. This restructuring process, I believe, is giving the industry the best opportunity to review its activities and make a leap forward.

As for Nikko, we embarked on a major three-year restructuring programme in September 1992. We will continue to implement this programme even if the Tokyo stock market becomes buoyant, as our foremost goal is to make the company less vulnerable to market fluctuations. In other words, the management of Nikko will be strengthened by our restructuring programme and we expect to become even more competitive.

#### —What is Nikko's strategy overseas?

We will continue to strengthen our presence in the international marketplace. I would never think of reducing Nikko's presence overseas. Any company that trims its overseas operations would be regarded as a regional firm. That will never be the case for us.

On the equity side, Nikko has a reputation as one of the major equity houses in the world. Indeed, we have been actively involved in a number of global equity offerings. However, being strong in equities alone is not enough. In the Eurobond league table of all currencies, Nikko ranked 11th in 1992. We now have to work harder to become a really powerful international bond house.

As part of this strategy, we are committed to strengthening our position in the Japanese bond market. For instance, we have been very active in underwriting Japanese government bonds and lead managing utilities' bonds issued by Japanese electric power companies. In the past three years, our track record in these sectors has been impressive. We are particularly proud of becoming the lead manager for the City of New York's first Samurai bond issue.

This year, we have been more active—through our London subsidiary—in underwriting straight bond flotations by non-Japanese issuers. The London subsidiary is increasing its underwriting activities, including the underwriting of a yen-denominated global issue of the World Bank, among others.

I do not deny that we have been more of a yen-oriented bond house to date. But we are now moving forward to become a major player in the international bond market capable of handling all other major currencies.

In addition to our activities in Europe and North America, we are well positioned to serve customers in the fast-growing economies of Asia in the fields of both funding and asset management. Furthermore, Japanese institutional investors are showing interest in Asian equities. As a result, it is important for us to allocate a considerable amount of resources to our Asian operations.

These are the challenges and opportunities facing Nikko in the 1990s. I am confident we will respond positively to them.



## NIKKO

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## Nigerian military offers role to parties

By Paul Adams in Lagos

NIGERIA'S military government yesterday offered the two civilian political parties a role in an interim national government in a deal that would involve dissolving all democratic institutions.

President Ibrahim Babangida proposed the deal as an alternative to holding fresh elections at the end of July.

This apparent attempt to meet the deadline for ending military rule on August 27 without confirming the victory of Mr Moshood Abiola of the Social Democratic party in the June polls may exacerbate the civilian protest movement which has paralysed most economic activity in Lagos so far this week. Furthermore, it would not meet conditions for restoring aid suspended by donor countries last week.

Gen Babangida said he found the two army-created parties, the SDP and the National Republican Convention (NRC), "poorly apart" when they met on Monday night.

The SDP stood by its rejection of fresh elections by the end of July with new candidates, which the NRC would support. The senior candidates who were banned during the previous presidential campaign last October have also refused to stand again.

The president has given the two parties until tomorrow to consider the options. If they accept the national government proposal, all the elected civilian arms of government are likely to be dissolved, including local councils, state governors and the House of Assembly and the two parties could also be scrapped.

According to a state radio broadcast yesterday Gen Babangida said the proposed national government would not include him and he urged the parties to adopt the plan in the national interest, which was "to achieve a termination of the military regime by August 27". A presidential spokesman said that the armed forces would have no role in the government.

The first organised civilian protest against the military government's manipulation of the electoral system is finding strong support in Lagos.

# Japanese executives sacked in bribery probe

By Robert Thomson in Tokyo

THREE EXECUTIVES at a leading Japanese construction company, Hazama, were stripped of their posts yesterday after having been arrested as part of a public prosecutors' office investigation into the alleged bribery of a regional mayor.

The dismissal of Hazama's chairman, president and senior managing director by its board came as fresh controversy arose over requests by Mr Yoshiro Hayashi, finance minister, to banks for funds to fight a general election on July 18.

Several business leaders have criticised Mr Hayashi's requests to the banks, and Mr Tadashi Okuda, the chairman of the federation of bankers' associations, was forced to defend the industry's separate provision of ¥10bn (\$80.7m) in loans to the LDP election campaign.

Mr Okuda said the loans, from eight commercial banks, were justified as the LDP was a party that would maintain a "parliamentary democracy and a free economy".

However, he warned it would be an abuse of position for Mr Hayashi to expect increased funding because he had become finance minister.

The requests by Mr Hayashi have been queried by the Keidanren, the federation of economic organisations, which said they could lead to "misunderstandings".

Meanwhile, the Japan Association of Corporate Executives yesterday said companies should consider a cut in LDP donations to release funds for new parties. Official donations to the LDP are estimated at ¥13bn a year, but unofficial and

illegal donations are thought to be many times that figure. In the Hazama case, prosecutors continue to question Mr Toru Ishii, mayor of Sendai, in the north, alleged to have received ¥100m from four construction companies in the expectation they would be hired for public works projects.

## Business backing slips away from ruling party

Charles Leadbeater examines growing divisions of interest among the LDP's corporate donors



Elections 1993

THE divisions that have split Japan's ruling Liberal Democratic party are working their way through the party's bedrock, its business support. Traditional LDP supporters in industries such as construction and machinery regard the recent split in the party's ranks as a disaster.

Mr Takeshi Kaname, managing director of Yamazaki Mazak, the leading machine tool manufacturer, remarked: "The divisions are terrible, nothing but bad news."

Yet he is far from being in a majority. Business executives from newer industries such as electronics and cars, which are more dependent on international trade, say they support political reforms which could strengthen new parties.

Mr Takeshi Nagano, chairman of the Federation of

Employers' Associations, believes the new parties created by breakaways from the LDP could bring benefits to business, partly by displacing the Socialist opposition. Commenting on the Japan Renewal party led by Mr Tadamasa Hata, the former finance minister, Mr Nagano said: "I would like to see the new party become one wing of a two-party conservative political set up."

These divisions came to a head last week when the heads of Japan's four largest employer federations held a hastily convened summit.

They decided to review their relationship with the LDP after the election. Business may find the new conservative parties if they emerge from the poll strong enough to offer a durable alternative to the LDP.

At first sight Japanese industry's interests in fostering a challenge to the LDP seem perverse. Business has done extremely well from LDP policies over the past three decades which have been designed to favour it often at

the expense of consumers. For instance, Japan still lacks a basic product liability laws common in other countries.

Mr Hata's new party is conservative but it claims to champion the rights of consumers and plans to come to

power in coalition with the Socialist opposition. Many business leaders believe the LDP's political dominance is an anachronism inherited from the cold war era when Japanese industry was developing with the help of the government's protection.

Mr Ryuzaburo Kaku, chairman of Cannon, the camera company, explained: "The old relationships are breaking up.

In the old days when Japan set out to catch up with the west it made sense for business to build close relationships with political parties. But now Japan is an economic superpower and the cold war threat it gone. We no longer have to

contribute to the LDP to protect the economy."

Executives from international companies believe Japan's political institutions are ill-equipped to guide Japan to a larger world role. They also complained the centralisation of bureaucratic power in Tokyo handicaps them with unnecessary regulations at home.

A senior official of the Keidanren, the largest employers' federation, explained: "Japan needs stronger, more enlivened politics to open debate on how Japan should fulfil a large international role. We just do not debate these issues at the moment. We need more political openness."

He went on: "We want decentralisation at home so that bureaucrats in Tokyo have less power to set detailed regulations in local areas. If a business wants to do something - extend a road or build a factory extension - they often have to apply to Tokyo first. This creates huge bottlenecks."

The official concluded: "The development of two competing parties, a conservative party and a more liberal, consumer-oriented, internationalist party, is a part of Japan becoming more mature."

This developing division in politics reflects a similar trend within industry. The LDP has held together a very wide coalition of business support stretching from domestic farmers and small businesses, to

large high-technology manufacturing companies exporting 80 per cent of their output. It is becoming increasingly hard for the party to satisfy both wings of its business coalition. Manufacturing exporters' interest in free trade is increasingly at odds with the protection of rice farmers, for which Japan is regularly criticised by its trading partners.

Heavy industries such as steel and chemicals, which benefit from traditional government public building programmes designed to boost the flagging economy, are at odds with retailers and consumer goods makers who want a tax cut to revive consumer spending in urban areas.

An imbalance in how industries wield political influence also favours domestically oriented sectors. Construction companies can target their financial support at politicians who will influence how public sector contracts are awarded. However, consumer industries cannot target their political support in this way.

As a senior executive with a consumer electronics manufacturer explained: "We need to change general policies such as the retail laws and tax policies to help our business. That means changing the way politicians in general think, not just a few key people. That is why we favour more political debate because that is the only way to get different policies discussed."

But perhaps the most pressing reason for business reconsidering its links with the LDP is the way political corruption tarnishes the image of business.

This is already having an impact on the LDP's finances. The party had hoped to borrow ¥25bn (£155m) from a syndicate of large banks to finance its election campaign. The banks trimmed that to ¥10bn because they did not want to be seen bankrolling the LDP.

Even the construction industry federation last week adopted tougher guidelines to limit political donations by member companies.

## UN report calls for new policies on migration

By George Graham in Washington

NEW policies are needed to cope with a rising tide of migration, both from the country to the city and across national borders, according to a new report from the United Nations Population Fund.

The report warns that millions of migrants will create economic and social strains in countries of immigration and emigration. Governments will have to take new measures to reduce the pressure to migrate,

such as improving education, health care and family planning in rural areas, but must also improve the capacity of urban areas to absorb new migrants.

"The only effective means of reducing migration pressure over the long term are to slow population growth, stimulate economic growth and job creation at home, and to promote the development of the individual and the family as the basic economic and social unit," the report says.

But government policies

aimed specifically at limiting rural-urban migration have generally been unsuccessful, the report says, because they have not been linked to the country's overall trade, industrial and agricultural policies, which exert a much stronger pressure on population movement than regional strategies.

The report says that around 100m people, mostly in the developing world, are now international migrants. The number of asylum seekers and refugees is rising most rapidly, and may account for 20 per cent of the total.

Money sent back by migrant workers to their home countries may now total \$70bn a year, the report suggests - second in value only to the international oil trade.

The global population, estimated at 5.57bn in 1993, is projected to rise to 6.25bn in the year 2000 and 10bn in 2050. While annual population growth is estimated at 1.7 per cent worldwide, this conceals a wide disparity, with Africa's growth rate at 3 per cent and Europe's at only 0.3 per cent.

Age structures are also diverging. In Africa, the number of people under 15 has tripled over the last 40 years, and the proportion has remained around 40 per cent in Latin America the proportion of under 15s peaked in 1965-70 and has been falling rapidly ever since, while in east Asia the proportion has dropped to 26 per cent.

"The State of the World Population: UNFPA, 230 East 42nd St, New York NY 10017.



Muslim prisoners enter a Cairo military court yesterday where they are on trial for membership of an extremist group

## Katyusha rockets fired into northern Israel

A NUMBER of Katyusha rockets fired from Lebanon slammed into northern Israel early on Tuesday, causing light damage, security sources said. Reuter reports from Jerusalem.

Rockets landed in Israel's western Galilee and also in Lebanon in Israel's self-styled buffer security zone for repelling guerrilla attacks. No one was injured, the sources said, adding that Israeli troops returned fire.

Israeli soldiers had clashed with guerrillas in Lebanon on Monday. Lebanese security sources said two people, one of

them a six-month-old baby, died in an Israeli retaliatory attack on guerrilla targets in Lebanon.

Israeli residents had braced late on Monday for possible guerrilla Katyusha rocket attacks in response to the clash. Israeli security sources said pro-Iranian guerrillas ambushed an Israeli patrol earlier on Monday, wounding one soldier on the edge of the security zone.

Filibuster fighters also attacked a position held by Israeli-backed militiamen in Tounat Niha.

\* Israeli military sources made decisions from the report.

### NOTICE OF ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF THE MALAYSIA CAPITAL FUND LIMITED

Notice is hereby given that the Annual General Meeting of the Shareholders of The Malaysia Capital Fund Limited (the "Company") will be held at Cayseide Galleries, Harbour Drive, George Town, Grand Cayman, Cayman Islands, British West Indies on 30th July 1993 at 10:00 a.m. when the following ordinary business will be transacted:

1. To receive and consider the Financial Statements of the Company and the reports of the Directors and the Auditors for the period ended 31st March 1993.
2. To resolve that no final dividend be declared and that the Revenue Reserve of the Company amounting to US\$73,381, be carried forward and considered for distribution by way of dividend in the ensuing year.
3. To re-elect a Director.
4. To appoint Auditors for the ensuing year and to authorise the Directors to fix their remuneration.
5. To transact any other business which may be properly transacted at an annual general meeting.

By Order of the Board  
MeesPierson (Cayman) Limited  
Secretary

Registered Office: Cayseide Galleries  
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Cayman Islands, British West Indies

#### Notes:

- (1) Proxy forms may be deposited at MeesPierson N.V., Rokin 55, 1012 KC Amsterdam, The Netherlands, Attn: Mr F. H. Bos, Corporate Finance and Capital Markets Department, no later than the time specified above for the holding of the meeting.
- (2) Proxies need not be members of the Company.
- (3) No Director of the Company has a contract of service with the Company.

Notice to holders of International Depositary Receipts in respect of ordinary shares of US\$1.00 each in

### THE MALAYSIA CAPITAL FUND LIMITED

Notice is hereby given that the Annual General Meeting of the Shareholders of The Malaysia Capital Fund Limited (the "Company") will be held at Cayseide Galleries, Harbour Drive, George Town, Grand Cayman, Cayman Islands, British West Indies on 30th July 1993 at 10:00 a.m. when the ordinary business as set out in the Notice of the said meeting set out above will be transacted.

Holders of International Depositary Receipts ("IDRs") representing the ordinary shares of US\$1.00 each in the Company (the "Shares") should note the following:

- (a) Holders of IDRs have no right in their capacity as such to attend, vote or speak at the Meeting referred to above.
- (b) Holders of IDRs may instruct in writing Morgan Guaranty Trust Company of New York (the "Depositary") as to the exercise of the voting rights (if any) attributable to the Shares. The Depositary will endeavour, so far as practicable and subject to any applicable provisions of law or of the Memorandum and Articles of Association of the Company, to exercise such voting rights in accordance with such instructions.
- (c) Instructions given to the Depositary shall be in writing and shall not be valid unless there shall be delivered at the addresses specified below therewith either (i) the IDR in respect of the Shares for which such instruction is given or (ii) a certificate from an agent of the Depositary to the effect that such IDR has been deposited with it and is to be held in a blocked account until after the time at which the voting rights in respect of which the instructions has been given may be exercised.
- (d) If, prior to 27th July, 1993, no instructions are transmitted in accordance with (c) above to the Depositary with respect to the voting of any Shares at the Meeting referred to above, the Depositary shall use its best endeavours to give a discretionary proxy to a person nominated by the Company in respect of such voting rights.
- (e) Copies of the Notice of the Annual General Meeting issued by the Company to shareholders, dated 11th June 1993 containing details of the Resolutions to be proposed at the annual General Meeting; (ii) the Annual Report of the Company for the period ended 31st March, 1993; (iii) the Memorandum and Articles of Association of the Company and (iv) the Deposit Agreement dated 5th March, 1990 are available for inspection by holders of IDRs at the offices specified below, during normal business hours on any business day up to and including the day of the Meeting. Copies of the said Meeting and of forms of voting instruction to the Depositary may be obtained by holders of IDRs from the offices specified below.

Depositary: Morgan Guaranty Trust Company of New York  
Avenue des Arts 35  
B-1040 Brussels

Agents: Morgan Guaranty Trust Company of New York  
- 60, Victoria Embankment, London EC4A 3DF  
- 38, Stockenstrasse, Zurich 8023  
- 46, Mainzer Landstrasse,  
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## Hunting down valuable articles can require expert help.

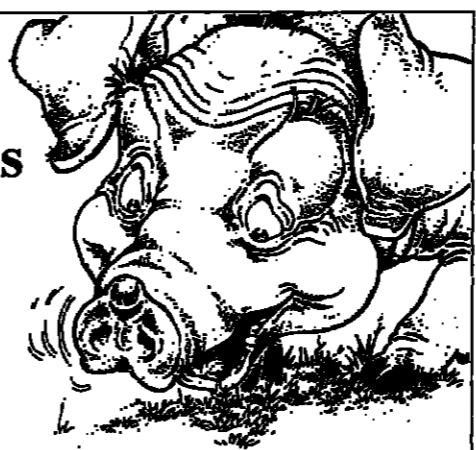
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### TENDER NOTICE UK GOVERNMENT ECU TREASURY BILLS

For tender on 13 July 1993

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 13 July 1993. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England.

2. The ECU 1,000 million of Bills to be issued by tender will be dated 15 July 1993 and will be in the following maturities:  
ECU 200 million for maturity on 12 August 1993  
ECU 500 million for maturity on 14 October 1993  
ECU 300 million for maturity on 13 January 1994

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 13 July 1993. Payment for Bills allotted will be due on Thursday, 15 July 1993.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 15 July 1993 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1993, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as supplemented).

9. The ECU 50 million of Bills to be allotted directly to the Bank of England will be for maturity on 13 January 1994. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England  
8 July 1993

Handwritten text in Arabic script: "مكة المكرمة"

World Development Report urges greater emphasis on cost-effective public health services

# Healthcare should go 'back to basics'

By Michael Prowse in Washington

DEVELOPING countries could reduce the burden of disease by up to a third if they spent less on high-tech medicine and more on basic public health and clinical services for the rural poor, the World Bank says in its latest World Development Report.

The report, published today, says the high incidence of disease and disability is caused as much by the poor allocation of existing resources as by lack of funds. In some countries, a single teaching hospital catering mainly for the affluent can absorb 20 per cent or more of the national health budget.

The report urges poor and middle income countries to invest in a minimum health-care package consisting of routine public health measures and a few essential clinical services.

Such services, the report adds, could be provided cheaply by local clinics and district hospitals and would not need expensive equipment or highly-trained specialist physicians.

On public health, the report suggests the most cost-effective measures would include an expansion of immunisation ser-

vices for children, school-based health services, campaigns to reduce excessive levels of smoking and alcohol consumption, the provision of more information about nutrition and family planning, and efforts to prevent the spread of Aids.

Financial flows to developing countries rose 23 per cent in 1992 to a record \$176bn due to an explosion in bank lending, the Organisation for Economic Co-operation and Development said yesterday, Reuter reports from Paris.

With direct investment also rising, private money flows reached \$99.8bn and exceeded official aid for the first time since 1983, the OECD's

Clinical services should include at least prenatal and delivery care, family planning, drug therapy to control tuberculosis, care for serious childhood diseases such as diarrhoeal disorders, and simple treatments for sexually-transmitted diseases, the report says.

Hospital-based emergency care, for example for fractures, should be provided depending on day-to-day capacity and availability of resources.

In the poorest countries, the cost of this minimum package of services would be about \$12 per person a year, or just over 3 per cent of per capita incomes. Bank estimates indi-

cate such a modest investment could reduce the overall burden of disease by more than 30 per cent.

In middle income countries, the minimum package would cost about \$22 per person or roughly 1 per cent of per capita incomes. The introduction of

development assistance committee said in an annual report. Despite budget constraints, the volume of grants and soft loans rose 1.1 per cent in real terms to \$60.8bn. The US was the biggest donor in money terms, providing \$11.7bn, followed by Japan with \$11.1bn, France with \$8.3bn and Germany \$7.6bn. Foreign direct investment grew by over \$4bn to nearly \$31bn.

Such a package could reduce the burden of disease by about 15 per cent, the report says. Adopting the package in all developing countries would require a quadrupling of expenditure on public health, from about \$5bn to \$20bn a year, and a doubling of spending on essential clinical services from about \$20bn to \$40bn.

In middle income countries, where public expenditure on healthcare is already about \$60 per person a year, the package could be financed out of existing resources provided the political will could be found to reduce existing spending on less cost-effective discretionary

viadual patients, as well as a redirection of the healthcare budget from specialised services and facilities for the affluent.

Such measures would work best if accompanied by broader efforts to reduce household poverty and improve educational standards, the report says.

Studies show that people with more schooling seek and utilise health information more effectively than those with little schooling.

"Education of girls and women is particularly beneficial to household health because it is largely women who buy and prepare food,

maintain a clean home, care for children and the elderly, and initiate contacts with the health system," the report notes.

The bank also emphasises the importance of promoting diversity and competition in the supply of health services. In the short-term, the report notes that reforms in drug procurement offer the greatest efficiency gains.

Governments that have introduced competition in drug procurement and switched from brand name to generic drugs have achieved savings of between 40 and 60 per cent.

More generally, developing countries need to encourage competition between public and private providers of health services.

"The private sector already serves a large and diverse clientele in developing countries and often delivers services of higher quality without the long lines and inadequate supplies frequently found in government facilities."

But it warns that the tendency for profit-seeking private physicians to prescribe excessive levels of treatment needs to be countered by encouraging a shift from fee-for-service medicine to pre-paid coverage, for example through health

maintenance organisation.

The report says developing countries have made great strides in improving health conditions. In the past four decades, life expectancy at birth has risen from 40 years to 63 years and the number of children dying before their fifth birthday has dropped from nearly three in 10 to one in 10.

However, child mortality rates remain about 10 times as high as in the richest countries and maternal mortality rates can be up to 30 times as high as in industrialised countries.

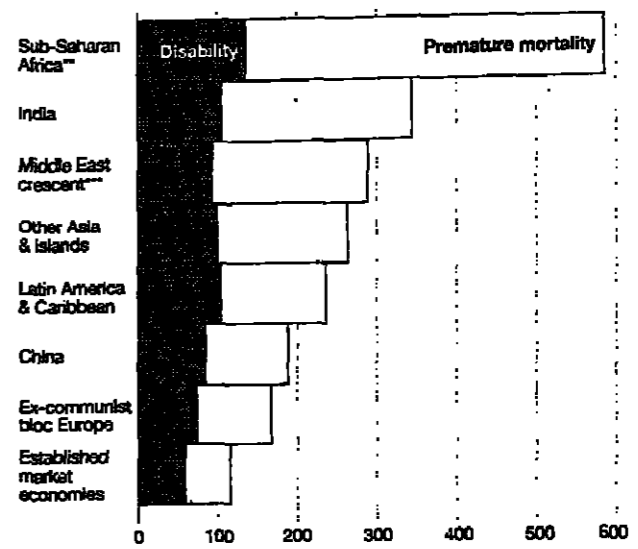
In the past 6 years, the bank has quadrupled to \$1.5bn a year its lending for healthcare services in poor countries. If diseases such as Aids and tuberculosis are to be controlled other donors and development institutions need to put greater emphasis on supporting cost-effective health services, it says.

The report recommends that the share of official assistance going to healthcare be raised from 6 per cent to 9 per a year, or by about \$2bn.

Investing in health. The 1993 World Development Report is available from The World Bank, 1818 H Street, N.W., Washington D.C. 20433. Editorial comment, Page 13

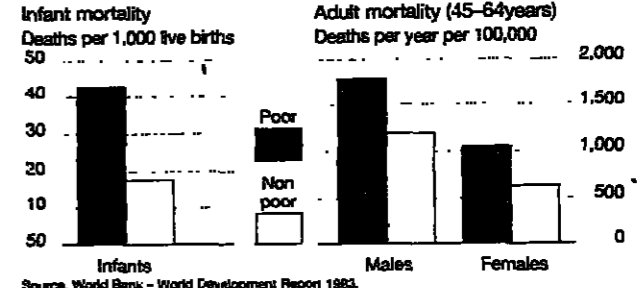
## The burden of disease

Attributable to premature mortality and disability by region (DALYs\* lost per 1,000 population, 1990)



\* The disability-adjusted life year (DALY) is the present value of the future years of disability-free life that are lost as the result of premature deaths or cases of disability occurring in a particular year.  
\*\* Includes South Africa & Madagascar.  
\*\*\* The group of economies extending across North Africa through the Middle East to the Asian republics of the former Soviet Union and including Israel, Malta, Pakistan & Turkey.

## Porto Alegre, Brazil 1990



Source: World Bank - World Development Report 1993.

## South African violence escalates

### 'We found the dogs and are burning them'

By Rich Mkhondo of Reuters in Kathlehong

THE SMELL of roasting human flesh hung in the air. A crowd of 20 with spears, axes and stones gathered round three burning bodies lying behind refuse bins.

"Sizitholile izinja. Siyazitshisa," they chanted. "We

Shots and screams indicated killings nearby but there was no sign of police

found the dogs and we are burning them. Viva, ANC Viva."

The victims - two men and a woman - were supporters of Mangosuthu Buthe's Zulu-based Inkatha Freedom party. Shots and screams indicated more killings nearby. There was no sign of police.

I have lived in the township of Kathlehong for all my 36 years, but I have never seen such savagery as I witnessed on Monday night and yesterday morning as I went to rescue my sister, who was trapped in her home deep in the battle zone.

It is impossible to keep track of casualties in Kathlehong and nearby Thokoza. Police say 69 have died in three days. Residents speak of hundreds.

To get through the carnage I sometimes had to plead with armed youths, many no more than 16, who wanted everything - my car, money and

petrol to make bombs.

"Tell the world there is also a Sarajevo here," said one when I said I was a journalist.

"It is a shame that we are made to go through this," my sister said when I reached her.

"This country boasts some of Africa's most enlightened leaders, but where are they when people die like flies?"

Violence exploded in the townships near Johannesburg following last Friday's announcement of a date for an election which is meant to liberate blacks from 350 years of white domination.

The immediate cause appears to have been the ambush of a funeral procession when it passed a hostel populated by Inkatha supporters on Saturday. But the political tensions building ahead of next April's elections are such that it needs only a spark to ignite a conflagration.

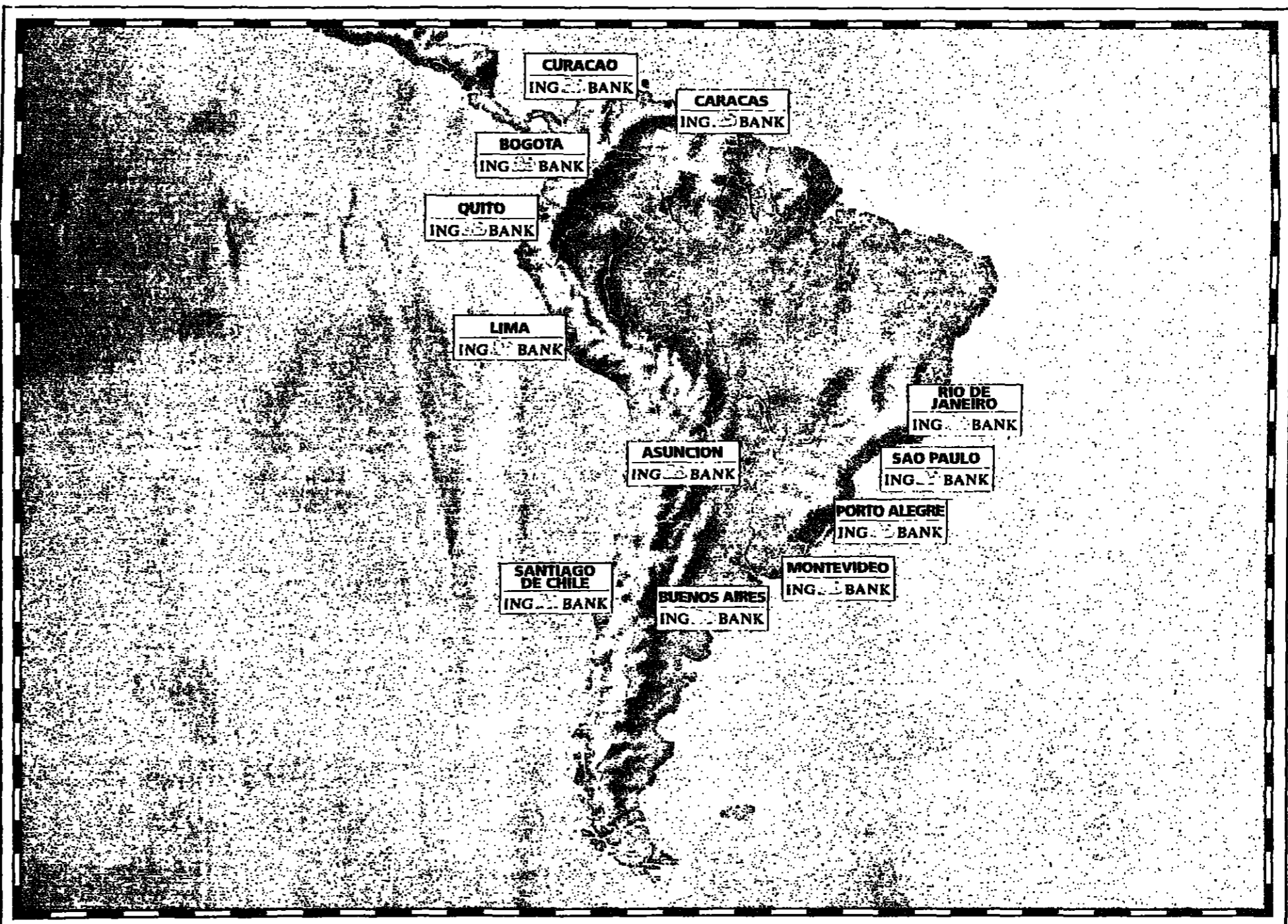
Black leaders such as the

'Tell the world that there is also a Sarajevo here'

ANC's Nelson Mandela blame apartheid for much of the violence that has claimed 9,000 lives since the white minority government began dismantling racial segregation in 1990.

Residents say the police have done nothing to halt the killings. They abandon the townships as darkness falls, and only return at dawn to collect the bodies.

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Controversial proposal to abolish right to trial by jury condemned by legal profession and civil rights groups

# Commission puts 'justice first, efficiency second'

By Robert Rice,  
Legal Correspondent

THE ROYAL Commission on Criminal Justice put "justice first and efficiency second" before publishing its 352 detailed recommendations, according to its chairman Lord Runciman.

In attempting to find the right balance between prosecution and defence the commission has made a number of inroads into long established and fundamental rights of defendants - such as the right to elect trial by jury and the so-called right to silence.

The Royal Commission was set up in March 1991 to recommend changes in the criminal justice system to prevent miscarriages of justice.

Launching the commission's report yesterday, Lord Runciman made no bones of the fact that it had taken a much broader view of its remit: its recommendations were aimed as much at reducing the risk of the guilty being acquitted as trying to prevent the conviction of the innocent, he said.

Its most controversial recommendation is that the defendant's right to elect trial by jury in cases which can either be tried by magistrates or at

Calls by the Serious Fraud Office for US-style plea-bargaining to help reduce the number of controversial City "mega-trials" have been rejected by the Royal Commission.

The commission recommended a system of "sentence discounts" for defendants in all criminal proceedings willing to plead guilty before a trial starts.

The commission, however, stopped far short of agreeing with the SFO that prosecutors should have an active role in offering lower sentences to suspects in exchange for increased co-operation.

In his evidence, Mr George Staple, SFO director, had said the introduction of a formal system of plea bargaining was the single most effective way of shortening the process of investigating and prosecuting fraud. That was

rejected by the commission as too extreme a move. Lord Runciman emphasised the commission's view that sentencing issues should be determined by judges alone with prosecutors playing no role in deciding penalties.

The general reaction of lawyers was that the commission had addressed matters of detail rather than proposed radical reform and that its proposals, if implemented, would have only marginal impact on the problem of large fraud trials. That, as one lawyer commented, reflected the fact that fraud trial reform was "bolted on" to the commission's agenda after it had already begun addressing its central concern over miscarriages of justice.

The recommendations made by the commission for the investigation

and prosecution of fraud include:

● Greater disclosure by defence lawyers of their clients' case to the prosecution before the trial starts. Currently defence lawyers can say merely that they oppose the prosecution's case.

● Trial by jury should remain.

● The "Section 2" powers of the SFO, which remove the right to silence and compel witnesses to answer questions, should be extended to allow police officers, as well as SFO lawyers and accountants to carry out such interviews. Section 2 should also be extended and made available for use by the SFO when carrying out inquiries on behalf of investigators from other countries. Evidence gathered in Section 2 interviews should remain inadmissible on court, unless it contradicts evidence given in court by a defendant.

● A feasibility study should be carried out into the possible merging of the SFO with the Fraud Investigation Group (FIG). The commission said there was no justification for FIG, which is part of the Crown Prosecution Service, not having the same Section 2 powers as the SFO.

● Time limits on fraud trials could be introduced.

● Judges should be able to outline the basic issues in a case to the jury at the start of a trial.

● Fraud defendants should be able to be able to plead guilty to a serious regulatory offence subject to the disciplinary sanctions of the Securities and Investments Board, rather than face criminal charges.

Measures aimed directly at preventing and correcting alleged miscarriages of justice have been warmly welcomed. The establishment of an independent review authority to take over from the Home Office responsibility for investigating and referring suspect cases back to the Appeal Court is long overdue although concerns remain that the investigation of alleged miscarriages of justice will still be carried out by police.

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The commission has preserved the basic principle of the criminal justice system that a person is innocent until proven guilty by recommending that defendants should keep their right to remain silent at the police station.

The commission, however, has made significant inroads into the right to silence, by recommending that defendants

who intend to advance a defence at trial must tell the prosecution the substance of it before trial or risk adverse comment to the jury by the prosecution or judge.

The commission has also failed to recommend a requirement that confessions should be corroborated before they can be admissible as evidence at trial in spite of the fact that disputed confessions have been central to the overwhelming majority of recent miscarriages of justice. Research for the

commission found that in nine out of 10 cases in which confessions were central there was corroborative evidence. In the remainder, the police could have produced it if necessary, but had chosen not to save time and money.

The commission has chosen to recommend that judges should warn juries of the dangers of convicting on the basis of confession evidence alone.

But in doing so, many lawyers argue, it has missed the opportunity to bring about a fundamental shift in police attitudes to investigating crime which at present are directed strongly towards obtaining confessions rather than investigation of the facts.

Measures aimed directly at preventing and correcting alleged miscarriages of justice have been warmly welcomed. The establishment of an independent review authority to take over from the Home Office responsibility for investigating and referring suspect cases back to the Appeal Court is long overdue although concerns remain that the investigation of alleged miscarriages of justice will still be carried out by police.

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the Crown Court should be abolished. This is opposed by the legal profession and many senior judges including Lord Taylor, who has called it "an inalienable right stretching back to Magna Carta".

The commission was urged to adopt the proposal by Mrs Barbara Mills QC, Director of Public Prosecutions, as a way of saving costs and cutting delays in the system by limiting the number of cases tried in the Crown Court each year.

Of roughly 100,000 cases committed by magistrates to the

Crown Court each year about 30,000 end up there because defendants elect jury trial. The average daily cost of a Crown Court trial in 1992-93 was \$6,850. The daily costs of a trial in the magistrates' court is not known but is estimated at less than half that figure.

Lord Runciman denied the proposal was purely a cost-cutting measure. Most defendants opted for jury trial in the mistaken belief that they would either receive a fair trial or a lighter sentence. Research showed that Crown Court

judges were three times as likely to impose a custodial sentence and sentences were on average two-and-a-half times as long.

Lord Runciman said the commission's recommendation that magistrates should decide whether a case should go to the Crown Court would make the system "quicker, fairer and more consistent".

Defence lawyers dispute that. Lord Williams QC has said that allowing magistrates to decide whether a defendant should be allowed trial by jury

according to factors such as the defendant's reputation, would result in jury trial being allowed "for the vicar's wife but not for the postman or the betting-shop manager".

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In what could be a model for the group, IBM UK is pioneering a new regime, writes Alan Cane

## The shake-up of Big Blue's army



Stretched to the limit: Nick Temple, IBM UK chief executive and author of the Temple Plan, the company's blueprint for recovery

Jacques Maisonrouge, president of IBM's operations outside the US in the 1970s, once provoked enthusiastic applause during a conference by misreading the phrase "IBM teams" as "IBM troops".

His slip accurately conveyed the flavour of the traditional IBM marketing machine: a well-drilled army of blue-suited, white-shirted technocrats rigidly controlled from the centre with power in the hands of a tiny elite.

Then IBM was the largest and most successful computer manufacturer in the world; today, hampered by an overweight bureaucracy which has dragged the company into two years of losses as new technology forces down hardware prices, "Big Blue" is seeking new ways to restore vigour and agility. Its command structure is being dismantled, its foot soldiers "empowered" to decide which wars to fight and which weapons to use.

The battleground for some of the most important of these changes is IBM UK. There are two main reasons. First, recession struck the UK earlier than other European countries and the UK company has been particularly hard hit over the past two years: in 1992 it lost £266m on sales of £3.75m. Second, competition in the UK computer market is the world's fiercest. If a solution works in the UK, the argument goes, there is a good chance it can be exported elsewhere.

The latest move, announced last week, is the division of the UK home sales operation in a federation of some 30 separate businesses, each with the power to fix its prices and settle its costs. It is a microcosm of the grander plan, devised by IBM's former chief executive John Akers, to split IBM globally into a loose network of separate business units.

There will be three kinds of businesses in the UK: vertical industries such as banking or retailing; product sectors including enterprise (mainframe) systems or personal systems; and the computing services businesses, management consultancy and hardware maintenance. Some will employ only 50 people, others 500 or more.

What practical difference will the new structure make? In the past, business managers were responsible for their revenues and their share of corporate costs. If a customer was unhappy with a product or service, the manager had to go elsewhere in the company to find a solution. There were endless arguments as salesmen fought their customers' corner against the bureaucracy.

In the new regime, business managers alone will be responsible for their profits, costs and their

customers' satisfaction. They will be measured by five criteria: customer satisfaction, employee morale (both measured by opinion surveys), profits, market share and cash generation.

The vertical industry businesses can buy hardware and software from the IBM product businesses or from elsewhere if they believe a competitor's equipment can do the job better. There will be no monthly reviews. The centre will operate little, if any, control unless a business starts to go off the rails. According to IBM: "The creation of a business federation will give more ownership and accountability to business managers, enabling the company to return to profit more quickly."

It will allow a variety of market approaches each with its own cost structure. A mainframe sale to the banking sector could be made, for example, by the banking business unit, by the enterprise systems business unit or by a specialised sales team within enterprise

systems. The move, codenamed Galaxy, is the latest phase of the so-called Temple Plan, a blueprint for recovery announced in the middle of 1991 by Nick Temple, chief executive of IBM UK.

The first phases of the plan have

**Business managers alone will be responsible for profits, costs and customer satisfaction**

been implemented over the past two years. The structure of the company has been changed radically. Eight layers of management have been stripped down to four. A series of early retirement and voluntary redundancy programmes will have reduced staff numbers from 18,600 in 1985 to just over 11,000 by the end of the summer. Some 30 per cent of the workforce now come face to

face with customers, compared with only 45 per cent two years ago.

Galaxy, however, which will put astonishing power and authority in the hands of managers more used to taking orders than giving them, will give the Temple Plan its stiffest test.

It will give business managers control over, first, prices. Javald Aziz, IBM UK marketing manager, explains: "When 10 years ago you sold a mainframe computer to a banker, an insurer or a retailer, it took the same amount of resource to make the sale, to install the machine and get it working. You could list your prices."

"Now the environment has changed. The hardware is secondary to the requirement that the overall system does the job properly and the people on the ground understand best how to pull together and price the necessary hardware, software and services. If you try to price deals like that centrally, you will have a disaster because the people there do not

have sufficient judgment of the market to be able to price accurately."

Second, business managers will have control over their costs. Aziz says: "You cannot have a truly customer-responsive organisation where the cost structure is determined centrally. If you want your business managers to own their place in the market, to own their resources and deliver you a profit, you have to move cost control from the centre to the businesses."

In March this year only 20 per cent of costs were determined by our business managers. We intend to move to a situation where they determine 85 per cent of their costs. In this way, you get rid of the final vestiges of a command and control structure and culture. Because only 5 per cent of costs will be determined centrally, there is no need for a large central bureaucracy. The 2,500 headquarters staff employed two years ago are being cut to 100 people who will manage the central holding company.

Headquarters departments such as finance, personnel, distribution and corporate affairs are being spun out as service units. The businesses are empowered to buy their services if they wish but are not required to do so; they could, for example, buy a pension plan from an outside supplier. Service units which fail to attract adequate business, however, will have no reason to exist.

Plans like Galaxy are fine in theory but the significant change, as Aziz accepts, will have to be in Big Blue's corporate mind. It remains to be seen if the leopard can change its spots.

The plan, needless to say, has the approval of IBM's new chairman and chief executive, Louis Gerstner. Temple and Aziz presented the details to him during his visit to the UK in April. He will undoubtedly be watching the UK experiment with keen interest. He is still enjoying his "honeymoon" as chief executive, but analysts are already beginning to ask when he will be ready to present his recovery plan for the company as a whole.

Aziz claims that the UK company has already gained several in points market share in mainframes and that business expenses fell 50 per cent between 1991 and 1993 - roughly in line with a decline in staff from 10,500 to 6,500 over the same period.

This year he hopes to keep revenues in line with last year, despite the declining cost of hardware. He also hopes to return to profit: "You have to get the management systems right, the business measurements right and there has to be trust and teamwork. These are the pillars on which you build changes like these," he says.

## A Catholic view of business ethics

By Hugo Dixon

The aristocracy of the pre-capitalist era had well-defined ideals, which provided the basis for codes of ethics that guided their behaviour. But modern businesspeople still lack ideals, a good 200 years after the birth of capitalism.

That is the view of Michael Novak, the US neo-conservative Catholic philosopher. In last month's Hayek memorial lecture, hosted by the Institute of Economic Affairs, the London free-market think tank, he set out to remedy this deficiency.

According to Novak, much of what goes by the name of business ethics is abstract and uninspiring because it does not address the ideas and principles that relate specifically to business as a form of human activity. What he calls "kitchen-sink" moral standards, such as honesty, fairness and sensitivity - which apply to other walks of human life as much as to business - command most of the attention.

One consequence is a lack of confidence among businesspeople when it comes to singing the praises of their way of life. "We tend to think that business lacks ideals, is merely utilitarian, concerned mainly with vulgar profit and ranks considerably below a humanistic or Christian vocation. Businessmen do not have the language to talk about the ideals of business."

Novak aims to fill this gap by identifying not so much a code of business ethics as an ethic for business. "What way of life do I wish to choose for myself, as I commit the larger part of my waking hours to this specific practical vocation? What are the ideals inherent in this vocation?"

His answer is that the business vocation has two ideals: creativity and community. For Novak, businesspeople are motivated not merely by a desire to make profits but by the "romance and risk of enterprise". He says: "Most academic writers seem never to have imagined the sheer fun and creative pleasure involved in bringing a new business to birth. Such creativity has the stamp of a distinctive personality all over it."

He argues that business creativity is the fundamental source of wealth creation. This, he says, explains why nations as rich in

natural resources such as Brazil remain poor, while others with almost no natural resources - such as Japan - become among the richest in the world.

Novak's second ideal for business - community - seems on the surface rather odd, given the widespread perception that capitalism rests on individualism. But Novak rejects this: "Capitalism is not about individualism. It is about a creative form of community."

The form of community particular to capitalism is the private business corporation, which Novak argues is capitalism's main institutional contribution to the human race. It is a community, one of whose main social purposes is to "make a profit, that is, to create new wealth beyond the wealth that existed before it came into being."

Novak dubs his approach to business "the Catholic ethic and the spirit of capitalism", making a deliberate contrast with the approach taken by Max Weber in his book, *The Protestant Ethic and the Spirit of Capitalism*. Where Weber saw the roots of capitalism in the Protestants' self-denial, asceticism and sense of the depravity of natural man, Novak stresses "invention, serendipity, surprise and the sort of romance that leads many to risk their shirts". These, he says, are characteristic of the Catholic approach to creation.

Novak's ideal of creative community addresses essential aspects of human psychology which are left out by the crude picture of economic man as concerned about nothing more than how to maximise profits.

The argument's main weakness is that it slides over the real difficulties in marrying creativity and community, which often pull in opposite directions. Many creative individuals give little attention to their communities, while many communities - such as the large institutional bureaucracies of the modern world - stifle creativity.

Novak says that a free society must "examine all its institutions to see whether they are promoting or repressing human creativity". Perhaps one should not expect more practical answers from a philosopher. Finding them is the challenge of today's businesspeople.

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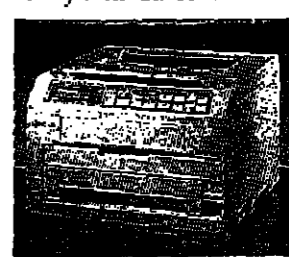
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## BUSINESS AND THE ENVIRONMENT

Hugh Fraser on battles between remote Russia and international investors

## Think local, act global

During the Soviet years, Russia's vast and beautiful environment scarcely rated a mention on the political agenda. But today's investors in Russia ignore "green politicians" at their peril.

Some of the Russian environmental movement's most telling successes are at the level of regional government, in local soviets or parliaments. Primorsky Krai, a region facing the Sea of Japan, contains dense forests, rivers teeming with salmon and endangered species including tigers and bears.

In common with many regional bodies, the soviet of Primorsky Krai has a powerful environmental committee, which regularly fines local polluters. At the height of communist power, local politicians toed the party line, often dictated from as far away as Moscow. These days they are more independently minded: "Essentially, I am against the industrial, technical mentality which prevails everywhere," says Anatoly Lebedev, deputy chairman of the environmental committee.

Lebedev's constituency is Krasny Yar, a town little larger than a village. Most of his constituents hunt and fish for a living in the surrounding forests of the Pozharsky District.

Despite the remoteness of the region and his small constituency, Lebedev has found himself at the centre of an environmental battle of international dimensions. The moral of the tale is that investors should pay attention to Russian politics on a very local level indeed.

In 1990, the Hyundai Group of South Korea formed a joint venture - Svetlaya - with two local logging companies. Svetlaya spent \$70m (\$46.6m) building a sea port, roads and a technical base around the coastal town of Svetlaya, outside Lebedev's constituency.

But two-thirds of the 1m cu m of timber, which Svetlaya planned to cut annually, were located across the political boundary in Pozharsky District, Lebedev's political power base.

The joint venture had the public backing of the then governor of Primorsky Krai, Vladimir Kuznetsov. The Russian government has long recognised the strategic importance of Hyundai Group to the Russian economy. But in Russia's state of constitutional confusion, it is no longer always enough just to have friends in high places.

"Under Russian land use legisla-



Russian tigers and other endangered species live in the region of Primorsky Krai

tion, the real provider of natural resources is the district soviet," says Lebedev. In this case, that meant the soviet of Pozharsky, a sub district of Primorsky.

"The Pozharsky soviet categorically refused to let us log on their land," says Vladimir Stegny, president of the Svetlaya joint venture.

Local people feared that logging on the hills around the source of the Bikin River would damage the salmon-breeding waters which provide their livelihood.

Lebedev's objections go further. "This is one of the last pristine forests left in the world. Their plan to 'clear-cut' [whole sections of] the forest on steep slopes will create a desert."

Nor is Lebedev impressed by the joint venture's plans to replant 3m trees a year. "They have some beau-

tiful greenhouses, but there is no point in planting young trees in a desert. They will die."

The point was underlined by Greenpeace, which last October blockaded the Svetlaya harbour, temporarily bringing exports to a halt. The confusion surrounding the Svetlaya case has done little for the region's image abroad. "Korean and Japanese businessmen often call me to ask about the latest situation," says Stegny.

Svetlaya challenged Pozharsky Soviet in court last June.

The regional court decided in Svetlaya's favour, but Pozharsky Soviet's appeal to the Supreme Court of Russia showed the weakness of Russia's legal system. The appeal judges failed to draw any firm conclusion, merely ruling that there were "deficiencies" in the ear-

lier judgment. The legal position is still up in the air.

"I believe that local people need us as much as we need them. They will come round in a couple of years' time," says Stegny. But he tacitly admits the environmentalists had a point.

Svetlaya now selectively cuts trees. Its \$70m investment assumed the joint venture would be in profit by its fourth year. But reduced logging means that break-even point is seven to 10 years away.

Elsewhere in Russia, environmental demands are important criteria when it comes to issuing rights to develop natural resources. In general, this is good news for foreign investors. Russian competitors often have a poor environmental record.

One of the largest deals under negotiation is a project to develop gas fields on the continental shelf off the island of Sakhalin. A consortium known as MMMMS, including Marathon and McDermott from the US, Japan's Mitsui and Mitsubishi, and the Anglo-Dutch Shell, hopes to conclude the \$10bn deal soon.

"This is one of the most difficult projects in Russia, from an environmental point of view," says Galina Pavlova, a local Peoples Deputy and member of the Sakhalin Soviet Ecology Committee.

"Environmental concerns have added considerably to the cost. But as an ecologist, I am happy with the proposals, provided they do everything we want."

On the volcanic peninsula of Kamchatka, one of the poorest and least developed regions of Russia, the local administration plans an international tender for extraction of 90 tons of gold from the south of the peninsula. As soon as the plan was announced, the governor of Kamchatka, Vladimir Biryukov, went on television to say that the project would go to the most environmentally clean proposal.

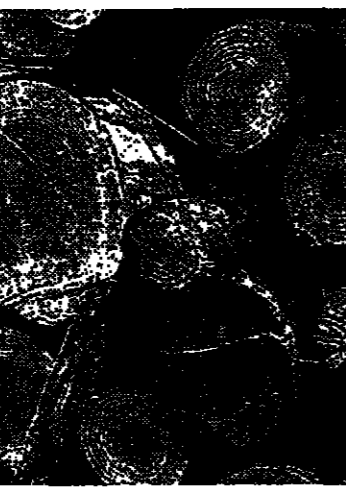
In Primorsky Krai, the environmentalists are grinding their teeth for the next battle. The Ministry of Atomic Energy is funding a feasibility study into building underground nuclear power stations in the far east of Russia.

In the late 1980s, Lebedev fended off a similar plan to build a nuclear reactor near Krasny Yar. He does not think it will be an easy fight this time round.

"The nuclear mafia in this country still have a great deal of resources and influence," he says.

## Debate grows over timber

Peter Knight on the campaign for 'green labels' on wood products



western countries have all but destroyed their natural timber resources and are doing little to curb industrial pollution.

The arguments are blurred by complexities such as the rights of indigenous forest peoples and accusations of human rights transgressions in Malaysia, Indonesia and Brazil.

But the reality for timber importers is that their market in the west is under increasing pressure to get its products from sustainable sources.

Conservation groups have called for a boycott of timber from unsustainable sources, mainly the tropics. Governments, notably in Germany and the Netherlands, have begun to specify alternatives to tropical hardwoods in building contracts.

B&Q, the UK's biggest DIY retailer, says that by 1995 it will only sell timber and wood from sustainable sources. Some countries and organisations are in the process of developing labelling systems so consumers

can identify ecologically sound timber.

The US-based Rainforest Alliance has developed the Smart Wood programme which grants a label to those producers that it has checked. Projekt Tropenwald is a voluntary initiative to provide information and certification of tropical timber sold in Germany.

The Forest Stewardship Council, a predominantly WWF initiative backed by some businesses such as B&Q, wants to become an international council which will accredit companies that issue certificates to the timber trade.

The African Timber Organisation, representing African producers, plans to start a labelling scheme to certify the origins of its products.

While there appears to be plenty of agreement on the need for a single, universally recognised label, there is much disagreement about how to set up and police such a scheme.

A big hurdle is for all sides to agree on a definition of sustainable forest management, including such issues as selective logging, maintenance of habitat, replanting and sharply reducing road building.

Sceptics say it is impossible to manage natural forests in this way and all logging should stop. This is clearly not an option for many developing countries with few natural resources.

But even if an acceptable definition of sustainable management can be agreed, verifying the source of timber and policing the verifiers pose immense problems.

Verifiers will have to trace timber as it travels across continents. Developing nations do not like the idea of a western-based timber surveillance force operating on their soil.

Nevertheless, many optimists think a workable labelling system can be set up, not least of all the existing international verifiers, such as Société Générale de Surveillance. How fast it can be developed, however, depends on how well producer and consumer nations co-operate. "Ironically, setting up a labelling scheme is not the difficult part," says Jean-Pierre Klekens, a lecturer in development economics at the University of Brussels and a consultant on timber policy.

"The real problem is to bring tropical forests under proper management, which is a prerequisite to making sustainably produced timber available in big enough quantities."

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## PEOPLE

## Jones follows in Ker's footsteps

David Jones, chief executive of South Wales Electricity, is taking over as the next chief executive of the National Grid Company. He joins at the end of the year, with a short hand-over period between himself and his predecessor, Bill Ker, who is stepping down next March when he reaches the normal retiring age of 63.

An English engineer from the Midlands, Jones, 51, looks back on a 32-year career in the industry, with two regional electricity boards, South Western and Midlands. He joined South Wales in 1988 as deputy chairman - coincidentally exactly the position Ker held before moving on to the National Grid. He was appointed managing director at the time of privatisation and has run the company, together with chairman Wynford Evans, since then.

One analyst describes it as an extremely effective partnership, with Evans dealing with



much of the political and Welsh aspects of the company's affairs, while Jones concentrated on the day-to-day operation.

In April, Jones had assumed the new title of group chief executive, a move which did not however entail any real change of responsibilities or a

change in salary.

Jones is credited with helping mastermind a comprehensive reorganisation at South Wales. The presence of Welsh Water, which built a controversial stake in the company which it then disposed of at the end of last year, helped spur management on to make a round of cost-cutting more quickly than happened in some of the other regions.

South Wales says it is embarking on an extensive search for Jones' replacement. While there are internal candidates, it is also searching elsewhere within the industry as well as outside the confines of the electricity business.

The National Grid Holding (NGH) company is owned by the 12 regional electricity companies and South Wales has a 5.4 per cent stake. Jones has been on the board of NGH since privatisation; no head-hunters were involved in his appointment.

## Boots Healthcare

International has appointed Peter Milburn as director of marketing. He succeeds Phillip Davey who has become md of Crookes Healthcare, Boots' over-the-counter medicines subsidiary in the UK.

Alan Horgan has been promoted from general manager to be md of Boots' UK pharmaceutical subsidiary. He joined Boots from Bristol-Myers Squibb in 1991 as head of UK sales and marketing.

John Scriven, the UK lawyer who is vice president and general counsel for Dow Europe, has been appointed to the position of associate general counsel for The Dow Chemical Company in Michigan. A law graduate from Cambridge University - the British rather than American one - he is also visiting professor at McGeorge School of Law, University of the Pacific. He takes over from Wayne Hancock, who is retiring.

## Woods for Bridport-Gundry

Bridport-Gundry, the medical, aviation and defence products group that has just parted company with its group managing director, 50-year-old Brian Cowley, has recruited Geoffrey Woods as its new chief executive.

Chairman Pat Darley says that Cowley, who had been in the post for just over four years, went "as a result of lack of confidence. Clearly things were not working out," but he was not prepared to elaborate.

The company that once specialised in fishermen's netting has moved into the fibre technology business, making a

range of products from restraint systems for Deutsche Airbus and the space shuttle to medical sutures.

Woods, 45, who joins next week, had been managing director of Toray Textiles Europe, a subsidiary of the Japanese company. He had previously distinguished himself by being one of the youngest managing directors within Courtaulds, the company he joined as a graduate trainee in 1969. Darley, who predicts that his arrival at Bridport will not herald a change of strategy, says he was chosen for his strong marketing skills.



Adding baccy to booze: Sir Alick Rankin, chairman of Scottish and Newcastle, is also putting BAT Industries into his non-executive pouch.

## Russell to chair 3i

Sir George Russell, chairman and chief executive of Marley, the building materials group, is set to emerge as the new chairman of 3i, Britain's largest venture capital company, at the end of this month.

A formal decision on his appointment has still to be taken but the firm indications are that Sir George, currently a non-executive director, will take over the chair vacated so hurriedly in April by Alan Wheatley. A formal announcement is expected at 3i's annual meeting on July 28.

Wheatley, a former senior partner with accountants Price Waterhouse, stepped down when 3i's shareholders, the banks, decided to postpone indefinitely a decision on a public listing for the company.

Sir George, who is 57, is no stranger to controversy. He is chairman of the Independent Television Commission, which is opposing plans by the independent television companies to reschedule News at Ten to an earlier evening slot.

A commonsense George who once considered joining Sunderland United, he joined ICI as a graduate trainee at the start of a long career in the chemicals and aluminium industries. His television connection started in the late 1980s when he became deputy



chairman of Channel Four. 3i has not traditionally been an exciting part of the financial community. Providing equity and loan finance to small and medium sized companies is a cautious long term business dependent on a careful assessment of companies and their managements.

It is only in the past three years that the proposed flotation and a succession of postponements as the recession deepened have made the job of chairman a high profile position. Sir John Cuckney joined 3i with the mission to take it public but retired early in frustration. Alan Wheatley was in place for only nine months before shareholders decided to wait for a strong recovery before floating and he left.

## Television/Christopher Dunkley

## It's bad news week - again

According to T.S. Eliot (an over-rated poet, yes, but you cannot deny the strength of *The Four Quartets*), "Human kind cannot bear very much reality". But Eliot died nearly 30 years ago, before television hit its stride. What on earth would he have written, had he survived long enough to share our nightly glut of reality in 1993?

The evidence of man's inhumanity to man is bad enough; whereas past generations learned at second or third hand, and months or even years after the event, about some hideous piece of cruelty on the other side of the world, we hear and see and share vividly in such experiences within hours of their occurrence. These days, television even comes quite often that we are present at the ghastliness, Israel, or the City of London as the madmen of the IRA go about their mayhem.

However, just as destructive of the viewer's spirit is the way that television pushes our noses up against equally vivid pictures showing the cruelty not of man but of fate. Previous generations knew, of course, that life is often nasty, brutish and short. They too lived with the mentally ill "in the community", and consequently saw their suffering and, no doubt, occasionally suffered from their violence. Naturally they watched their own parents die and, more often than we have to, their own children, too. But at least they could believe, when faced with such personal tragedies, that this was an anomaly, that there was something better somewhere else.

Members of the television generation in countries such as Britain have no such cushion against reality. We know how usual are pain and suffering, because they are brought to us, day in, day out, from our own

doorsteps and from doorsteps around the world, in graphic pictures and detailed speech.

To live with the sadness and pain of your own life is one thing, but to try to live with the sadness and pain of the whole world is something else. Half a century into the age of television you begin to wonder whether this is not, perhaps, insupportable. What we are trying to do in living with global television is unlike anything that any previous generation has attempted.

It is not just, or even mainly, a question of television news, though Martyn Lewis had more justice on his side than his derisive colleagues would admit when he called for more "good" news.

Anybody who has ever worked on a national news desk has felt that collegiate tendency towards the macho which no one likes to question and which insists that a murder is a "better" story than, say, a wild championship won by a Briton in some supposedly obscure sport, championships in minor sports being one of the specific examples of a void nominated by Lewis and carefully ignored by his opponents.

Without toppling over into the embarrassing world of the "Good News" bulletin ("Two thousand aircraft didn't crash on take-off from Heathrow this week..."), it is time somebody tried to break out of the self-perpetuating circle of bad news junkies. Circles the fashion editor as copy taster for a week might help.

But however much the public may be on Lewis's side in this, viewers are surely not surprised when news programmes reflect much of the nastiness of the world. What becomes so dispiriting is the unending succession of current affairs programmes and documentaries detailing the hurt and horror of life everywhere. It is bad enough when this



Telling it how it was: the late Juris Podnieks at work

occurs where you expect it. Anyone familiar with the extraordinary work of the late Juris Podnieks will have known what sort of thing was likely to turn up in Channel 4's tribute, *Camera Of Courage*.

Sure enough Sunday's *Home-land* was Podnieks' own cut of an amazing documentary alternating between massed choirs of Latvian folk singers and archive clips showing the invaders from Russia and Germany who have taken it in turns to make Latvian life utter misery. "Mother was a midwife. She helped anyone in need, communist or guerrilla. For that, they forced her into a freight wagon..."

And departed her to the gulag where there are still 200,000 unidentified corpses. What does the man of conscience do against totalitarianism in the age of television? He puts a video camera on his shoulder and heads for the sound of gunfire. Working with Podnieks, cameramen Andris Slapins and Gvido Zvaigzne both walked towards the parliament buildings of the Baltic states just a few months ago, and both with their lives. It is difficult to avoid tears as you watch the skewed pictures which Zvaigzne's camera continued to record as he fell, hit by the

he account by *The London Programme* of violent schizophrenics being released "into the community" and then committing murder was scarcely surprising; we have heard already about these cases piecemeal. Most frightening was the clear indication (though this was never explicit, it did not need to be) that we now live in a democracy where it is considered more important to save money than to avoid murder.

More depressing than these, however, are the programmes which you think will be positive and heartening but which are not. Known as Antony Thomas's previous work, it was put to assume that his *Viewpoint 93* programme for ITV called "In Satan's Name"

would direct a good blast of fresh air on the subject of Satanic child abuse. Previous programmes with credulous reporting from people such as Beatrix Campbell had helped turn a modern myth which lacked even a scrap of evidence into a phenomenon widely believed by social workers, clergymen and even members of the police force. Sure enough Thomas's report revealed this international hysteria for what it is, but in the process it made your heart sink even further.

Without ever mentioning the phrase "false memory syndrome" Thomas showed that these "memories" of ritual abuse occur after sessions with "psychotherapists" and church leaders. In other words this is the same old witch hunting trick that we have seen down the ages: invent a set of demons, introduce them to the minds of the impressionable, put pressure on the impressionable in public and, hey presto, demons! To see the ease and effectiveness with which this ancient technique is still used for the self-aggrandisement of therapist and churchman, is deeply saddening.

But if in the past week you wanted the final push towards suicide you needed to watch a two-hour programme in Channel 4's "True Stories" series called *Time Indefinite*. This began as one of those home movies made by American members of the Me generation who believe that any aspect of their own lives captured on camera must be fascinating to the rest of the world because - well, it's about Me, isn't it? In the second half, however, Me's grandmother died, Me's wife miscarried, and Me's father died, a series of blows from fate which, in the end, seemed unfair even to such an insufferable egotist as Me.

No viewer is forced to ingest such a concentrated diet, it is true. Even television critics are entitled to opt for a comedy or a light entertainment programme from time to time, assuming that in July they can still find one that has not been shown countless times before. But unless you do sit down and plan carefully to avoid it, you can find television bringing you more reality than human kind can bear.

## Theatre

## Separate Tables

A pleasing coincidence gives London revivals of plays by Noel Coward, Terence Rattigan and John Osborne. Anyone who sees all three will, I hope, begin to discard the belief that British theatre changed radically with the opening of Osborne's *Look Back in Anger* at the Royal Court on May 8 1955. For if you look at the playwrights as a group, it is their continuity that stands out.

True, there was a change in the milieu - a move from the drawing room to the ironing board. With Osborne's success, Rattigan went out of fashion and Coward into decline. But there was no revolution.

The conventions remained pretty much the same, the aim being a well-made play with a beginning, a middle and an end, and a capacity to shock thrown in.

It was Osborne who was the conservative. He followed his masters closely, but dropped such controversial subjects as drugs and homosexuality. The difference was that he seemed to have moved the frontiers by writing about a lower down a class in the social hierarchy and expressing anger at the status quo. It was not until *Inadmissible Evidence*, now revived at the Royal National Theatre, that he moved to more complex relationships.

Looking back, it is clear that was a great deal of anger in the British theatre before 1955. As early as 1924 Coward was an angry young man writing about drugs and sex in *The Vortex*. And anyone who has seen the revival of his *Present Laughter* at the Globe will have noticed that it is not entirely a play about upper-class society. The ménage in which Gary Essendine lives contains a broad social mix.

Rattigan pushed the frontiers much further. In the recently revived *The Deep Blue Sea*, practically every social class, including immigrants, has a look-in. The play is a marvellous plea for tolerance of social and sexual deviation within a society constricted by

the law. How anyone could have thought that Rattigan was a conventional playwright merely because he used conventional forms must now defy the imagination. Apart from everything else, he used the conventional forms so well.

*Separate Tables*, which is now revived at The Albery, is a slightly less good play. First performed in 1954, two years after *The Deep Blue Sea*, it was initially a winner but may have been the beginning of Rattigan's downfall, because it was about old England - a mixture of shabby genteel people slowly fading away in a private hotel near Bournemouth.

The fault lies with the structure. *Separate Tables* tries to roll two sets of events into one with a gap of 18 months in between. The first concerns a disgraced former Labour Party minister (class of 1946) whose ex-wife, a once and perhaps still beautiful model, arrives in the hotel.

They are at least temporarily re-united by the manageress (Charlotte Cornwell), who represents all that is tolerant and decent in a strained environment, and is also the former minister's current mistress.

In the second half, the admirable Ms Cornwell strikes again for the forces of liberalism. She allows another disgraced guest to stay despite the fact that he has been exposed, and reported in the local newspaper, for minor indecency in a nearby cinema. The mildly jarring asymmetry is that here, the manageress has had no direct involvement in the emotions. She is more the wise ruler than the partial victim.

Yet if you want a liberal Ms Cornwell to hold a declining country together in Bournemouth, in 1954, look no further. The appropriate patriotic music easily pervades the play. Ms Cornwell even has a line that seems a refinement of Mona Lott in *ITMA*: "It's surprising how cheerful one can be when one gives up hope."

Some of the period details are wonderfully done. In the

early 1950s, educated Conservative voters read the *New Statesman* (here called *New Outlook*, for which the disgraced politician writes under the pen-name of Cato), claiming that they did so only for the music criticism.

In *Separate Tables*, they have views on taxes and dividends that relate to real life, and (picked up from a television programme) on the respective merits of levelling up and levelling down. The biggest shock, and it is considerable, is when the seemingly progressive wife of the young medical student, turns out not to be a liberal.

There is a lovely twist at the end, when a new couple appears at a table, talking only to each other, unaware of what has gone before and the drama that is going on around them. Perhaps here was the beginning of Act 3 or another play. I like to think of it as a defiant Rattigan gesture: a hint of what might have been said next, had he not been so rudely interrupted by a change in fashion.

As it is, there is an ironic shaft at the coming shift in conventions. The former minister is reprimanded for using the French windows which are concealed from view. As for social class, he was originally a doctor from Hull.

One more point: there is a direct and telling reference to McCarthyism. No-one should ever have said that Rattigan was out of touch with his time.

The setting - by which one really means the seating - in *Separate Tables* is crucial. In Sir Peter Hall's production, designed by Carl Toms, it is a trifle ponderous, but that may have been the favour of the period.

As a theatrical device, the separate, sometimes communicating tables are a delight. The menu is a mixture of listening, watching, talking and occasionally eating. Peter Bowles and Patricia Hodge double as the main romantic parts in both settings.

Malcolm Rutherford

Albery Theatre. (071) 867 1115

## Opera

## The Man Who Strides the Wind

Before his death in 1989 Bruce Chatwin had conceived the scheme of an opera, a collaboration with the composer Kevin Volans. The project was to draw on ideas from Chatwin's wonderful novel *The Songlines*, extending its meditations on the nomadic nature of man, and the focus was to be the life of Arthur Rimbaud, particularly the years he spent wandering around Africa, having abandoned his poetic career. Chatwin became too ill to complete any of the libretto, and the text for *The Man Who Strides the Wind*, which received its first performance at the Almeida last weekend, has been assembled by the writer Roger Clarke from sources that include Rimbaud's own poetry, Chatwin's travel notebooks and the classical texts - Hesiod, the Bible - closest to Chatwin's heart that have been promised in recent years, this work-in-progress was perhaps the most intriguing and tantalising. Volans'

instrumental and orchestral works have established him as one of the most distinctive voices in contemporary music, and the subject matter seemed perfectly suited to a composer who had derived so much flame from his South African background. What has reached the stage, though, is a profound disappointment in musical and dramatic terms.

The reasons for that failure are tangled and hard to establish: the negligible production by Peter Mumford (designs by Neil Irish) is certainly no help, and often clumsy in its effects, while Volans' score is realised tentatively under David Parry's direction. But both producer and conductor can claim some mitigation; there is something intrinsically unoperatic about a work whose first act revolves around a death-bed scene, the second is a sustained duet for tenor and baritone, and only a small fraction of the text is comprehensible.

The weight of the intellectual argument in *The Man Who Strides the Wind* falls in

that long (70-minute) second act, as Rimbaud and his servant/companion Djami wander through the Abyssinian desert while the former poet tries to come to terms with his restlessness, his inability to feel at home in any landscape. The first act sets up the discourse as the dying Rimbaud, returned home after 12 years' wandering, is tended by his sister and fearsome mother who know nothing of his former life. But the lack of drama and the lapidary text resist easy involvement; the opera always manages to hold its audience at arm's length.

Most disappointing of all was the effect of the music itself. The vocal score promised a wonderfully subtle, teasing texture, full of the teasing polyrhythms and glistering slender textures which Volans has made his own. In the claustrophobic Almeida acoustic, though, many of those effects were made to seem miscalculated and the instrumental playing (the combined forces of the Brindisi Quartet and the

Almeida Ensemble, fine players all of them) lacked the precision and delicacy Volans' music always demands. Moments one looked forward to were totally lost - the very opening of the work, for instance, with a boy treble intoning fragments of Rimbaud's verse as a backdrop to the utterance of the dying poet, emerged totally indistinct.

While Volans' score contains much that might thrive in a different context, this is not a show from which the ENO's Contemporary Opera Studio can take any credit. Only the singers could be satisfied with their contributions: Thomas Randle made a fine, compelling Rimbaud, Mourig Davies a compassionate, boyish Djami, Susan Bisset was the attentive sister Isabelle, Jennifer Rhys Davies, the gorgon-like mother. David Newman provided the shimmer of treble in act one.

Andrew Clements

Almeida Theatre; further performances July 9, 12 and 16

## London City Ballet

Last Saturday, the London City Ballet pirouetted its last at the Theatre Royal Bath, victim of Arts Council intransigence over regular funding, *Anthony Thorne* writes.

Early in September in Stevenage, the London City Ballet will embark on its annual autumn tour. That at least was the guarded assurance provided by artistic director Harold King on Monday. He could sound optimistic because he was standing next to the money man from ADT, whose chairman Michael Ashcroft seems set to take over from John Hughes as the financial backer of the LCB.

He has pledged £150,000 a year. The plight of the company precipitated a sudden donation from the widow of Nureyev's agent Sander Gorlinsky. Texaco has promised £150,000 in the autumn. The dancers are now on holiday - unpaid - but a slightly smaller company should assemble in August to rehearse *Coppelia*.



Patricia Hodge and Peter Bowles strike a pose

## INTERNATIONAL ARTS GUIDE

## AIX-EN-PROVENCE

Opening on Sun, this year's festival has a diverse trio of operas: Weber's musically abundant *Eurydice* (conducted by Jeffrey Tate), Handel's magnificent *Orlando* (with Felicity Palmer), both in new productions, and a revival of Don Giovanni starring William Shimell. Among the concerts are Berlioz's *L'Enfance du Christ* in the Cathedral and Campra's *L'Europe galante* in the Archbishop's Palace Theatre. Recitalists include Andreas Schmidt, Gundula Janowitz, Lella Cuberli and Nathalie Stutzmann. Ends July 28 (4217 3434)

## AVIGNON

Jacques Lassalle's Comédie Française production of Molière's *Don Juan* opens this year's festival on Fri and continues till July 20. The festival has also organised two Jorge Lavelli productions - Edward Bond's *Makdon* (July 15-23) and Steve Berkoff's *Kvetich* (July 27-Aug 2). Other attractions include stagings of Bulgakov's *Adam* and

Eve (July 10-18), Sophocles' *Oedipus at Colonus* (July 27-Aug 1) and a Russian-language version of Tom Stoppard's *Rosencrantz and Guildenstern are Dead* (July 27-Aug 1). The contemporary music programme focuses on Harrison Birtwistle and Klaus Huber. Ends Aug 2 (9086 2443)

## BAD KISSINGEN

The chief attraction of the Kissinger Sommer is its setting in a north Bavarian spa town, with its former royal house and fin-de-siècle theatre. This week's programme includes a Bamberg Symphony Orchestra concert tonight with cello soloist Lynn Harrell, a recital by Gwyneth Jones tomorrow, an orchestral concert on Fri conducted by Lorin Maazel and a performance of Haydn's *Creation* on Sun. Next week's artists include The English Concert and sopranos Edith Wiens and Cheryl Studer. Ends July 18 (0971-807110)

## BAYREUTH

Interest at this year's festival, opening on July 25, focuses on a string of debuts. East German dramatist Heiner Müller tackles his first opera production, *Tristan und Isolde*, designed by another Bayreuth debutant, Erich Wonder. After a decade as Bayreuth's reigning Kundry, Waltraud Meier attempts the soprano heights of *Isolde*, while Siegfried Jerusalem tackles his first *Tristan*. In Parsifal, the new Kundry is Deborah Polaski, while Poul Elming and Linda Finnin join the cast of *Lohengrin*. Donald Runnicles returns to conduct

Tannhäuser. Ends Aug 28 (0921-20221)

## BEAUNE

This week's programme at the Festival International de Musique Baroque, one of the few coherent French regional music festivals, includes a concert of Vivaldi motets with Amsterdam Baroque Orchestra under Ton Koopman (Fri) and medieval Spanish music with Hesperion XX under Jordi Savall (Sat). Later in the month, there is a concert by The Tallis Scholars, plus performances of Purcell's *The Fairy Queen* and Handel's *Scipione*. Ends Aug 1 (8022 2451)

## BRUGES

This year's early music festival, part of the Flanders Festival, opens on July 24. Highlights include a performance of Carissimi's oratorio *Jephthah* by the Consort of Musicke, conducted by Anthony Rooley, Spanish medieval music played by Hesperion XX conducted by Jordi Savall and a song recital by Emma Kirkby. Ends Aug 8 (050-44886)

## COLMAR

The south-east corner of France seems an unlikely place for Russian musicians to congregate each summer, but thanks to violinist Vladimir Spivakov this Alsatian town now has a respectable annual music festival.

The Moscow Virtuosi, directed by Spivakov and Yehudi Menuhin, gives concerts tonight, tomorrow, Fri, next Mon and Wed, with solo contributions from Pierre Arroyau,

Nathalie Stutzmann, Spivakov himself and several other high-powered soloists. Sat and Sun: Shlomo Mintz directs Israel Chamber Orchestra. Ends July 14 (8920 8894)

## LA ROQUE D'ANTHERON

The castle grounds of La Roque d'Antéron, equidistant from Avignon and Marseilles, are the peaceful setting for a piano festival which has been gathering international renown since it was founded eight years ago. In the opening concert on July 31, Brigitte Engerer is soloist with the Novosibirsk Philharmonic Orchestra from Siberia.

There are 33 concerts in all, with programmes celebrating anniversaries of Grieg, Tchaikovsky and Rakhmaninov, a cycle of Schubert sonatas on modern concert grand and fortepiano, a Debussy series using period instruments and introductions to Medtner and Corigliano. The line-up of artists includes Christian Zacherias, Nikolai Demidenko, Maria Joao Pires and Stephen Hough. Ends Aug 22 (4250 5115)

## MONTPELLIER

Radio France's annual festival, opening next Tues, continues to promote off-the-beaten-track operas in concert format.

This year's line-up includes Montacchi's *Barber of Seville*, Wagner's *Die Walküre*, Zemlinsky's *Birthday of the Infanta*, Puccini's *La Villi* and - best of all - Meyer's grand, unjustly neglected *Sigurd*,

with a fine cast headed by Chris Merritt. Ends Aug 11 (6702 0201)

## MONTREUX

The Jazz Festival has moved from the foreshore of Lake Geneva and the crumbling confines of the town's Casino to the shiny new Stravinsky Auditorium.

Tonight's concert is given by Chick Corea, Herbie Hancock and George Duke's Instant Band. Fri: Ute Lemper and Paolo Costa. Sat: soul and jazz night with Al Green, Chaka Khan, Ramsey Lewis. Mon: Stanley Clarke takes part in world premiere of new work by George Duke. July 15: Blues Summit with BB King and Etta James.

Fringe sessions at the New O's Club look good, with Ray Brown Trio and Elvin Jones Jazz Machine on Fri, and John Scofield Quartet next Tues. Ends July 17 (021-963 8282). Montreux's classical music festival runs from Aug 20 to Sep 24 (021-963 5450)

## NICE

This year's JVC Grande Parade du Jazz (July 13-24) has an exciting parade of big names. Lionel Hampton, Pat Metheny, Joe Henderson, Illinois Jacquet and George Benson feature among crossover types such as Manhattan Transfer, Wynton Marsalis and Manu Dibango (9371 8900)

## ORANGE

This year's operas are *La traviata* (July 17 and 20) with Kathleen Cassello, Roberto Alagna and Paolo Coni, and *Otello* (Aug 7) with

Vladimir Atlantov, Alain Fondary and Nina Rautio (9034 2424)

## RUHR

The Ruhr Piano Festival features 40 internationally-renowned musicians playing in nine German cities, including Bochum, Gelsenkirchen, Duisburg, Hamm and Herten. There is no programme theme, but several concerts include an introductory talk by German author and critic Joachim Kaiser. Pianists featured over the coming month include Oleg Malenber, Nelson Freire, Dmitri Alexeev and Melvyn Tan. Ends Aug 14 (Ruhr Ticket 0201-268081)

## SCHLESWIG HOLSTEIN

Like a musical mosaic, the festival spreads out from Hamburg, Lübeck and Kiel to some of the most attractive towns in northern Germany. There is a strong Polish influence this year, with three Polish orchestras touring the region and performances of Szymanowski, Penderecki. This week's visitors include Orchestre de Paris conducted by Semyon Bychkov in Kiel and Lübeck, The Tallis Scholars in Rendsburg and Bad Segeberg, Peter Donohoe in Itzehoe and Westerland, and Matt Haimovitz in Husum and Reinbeck. The line-up of recitalists in coming weeks includes Jessye Norman, Anne Sophie Mutter, Shura Cherkassky, James Galway and Margaret Price. Ends Aug 22 (0431-587080)

## ARTS GUIDE

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## Edward Mortimer



Personally I have always felt attracted to the Balkans, perhaps, by memories of the exotic Balkan *Sobranie* cigarettes my mother used to smoke. But "Balkanisation" has long been a bogey word for west Europeans. It is what happens when large empires fragment into small and squabbling mini-states: impotence, frustration, bloodshed - and all in a context of complexity with which world statesmen, not to mention their electorates, soon lose patience.

Until two or three years ago it was a rather dated bogey word, referring mainly to things that happened in 1914 or earlier. Now, alas, it is all too topical. The break-up of Yugoslavia has been a classic case of Balkanisation right there in the Balkans. The rest of the Balkan peninsula - generally understood to include Albania, Bulgaria, Greece, Romania and the European part of Turkey - has come to be seen mainly as the wider theatre in which the Yugoslav tragedy is being played, and which might go up in flames if the fire on stage is not quickly put out, or at least contained.

Needless to say, this state of affairs is not good for the region, even those parts of it that have so far been spared direct involvement. Their trade is distorted by sanctions and by the disruption of transit routes, notably the Danube. Insecurity discourages foreign investment. And political leaders, too, tend to discriminate against the region. They give priority to central Europe - which is closer and seems more hopeful - or to Russia, because of its manifest strategic importance and vast natural resources. With a mixture of guilt and exasperation, they regard the Balkans as an area where they must struggle to contain the war, but there is nothing else to be done.

What western Europe most fears about the Balkans is that it might itself be contaminated and Balkanised. That is what happened, according to most west European diagnoses, in 1914: and if there is one thing the EC still feels entitled to congratulate itself on, in a Balkan context, it is that it has preserved its unity in the Yugoslav conflict, albeit a

## Bogey word for EC

Europe's magnetic pull often promotes Balkanisation

unity of near-paralysis, in spite of deep disagreements among its members.

You can well imagine, therefore, that a meeting last weekend in Corfu on "the European Community and the Balkans", co-sponsored by the Commission with two semi-official Greek think-tanks, and attended by people from all the Balkan states, old and new, was not an entirely smooth or joyous affair. The people from Brussels tried not to sound patronising, but almost always failed. The people from the Balkans avoided, to a surprising extent, rehearsing their local quarrels. Instead they joined in a united litany of complaint.

The EC's pull tends to provoke the disintegration of other federal structures

accusing western Europe of everything from impeding capitalist development in the Balkans in the 19th century to discriminating against them in the kind of agreements it is prepared to negotiate in the late 20th.

Commissioner João de Deus Pinheiro, who as Portuguese foreign minister presided over the EC's abortive effort to prevent the war in Bosnia last year, was obliged to make an almost ritual act of contrition for that failure, while pleading that, if it were to do better in future, the EC must have "a credible back-up capacity" - ie, a military one, provided by the Western European Union, or failing that by Nato.

"Who is to blame?" asked Nikolai Todorov from Sofia, voicing the almost unanimous anger of the region. "Who

should take the burden of responsibility for what is going on in the Balkans today? What are we up against - Balkanisation or 'Europeanisation'?"

Europeanisation of the Balkans? It sounds the opposite of what is happening, but I think I see what Mr Todorov means, or might mean. The EC congratulates itself on its powers of integration internally, and the "magnetic attraction" it exercises on those around it. What has not been sufficiently noted is that this powerful magnetic pull tends to provoke the disintegration of other federal or co-operative structures in the neighbourhood.

The EC may preach local and regional co-operation, but the audience is not interested. What the audience sees is a rich and powerful club, membership of which eclipses the value of any local association. Every nation or potential nation, if not every individual, starts to think how it could get in and how, above all, it must not be held back by association with less wholesome or less fortunate neighbours.

This is not a purely Balkan phenomenon. Czechs have dissociated themselves from Slovaks, and are not happy even about being bracketed with Hungarians and Poles. The latter in turn insist that they are central Europeans, who must not be lumped together with others further east or south. Balts are determined to be in a different category from Ukrainians, and Ukrainians from Russians. But "Balkan" is also a category no one wants to belong to, as a Slovene speaker in Corfu made tactlessly clear. "Slovenia," he said, "will not take part in anything that pulls our country back, or puts it into a marginal group."

One cannot blame the EC for something that is the inevitable consequence of its success. But it could have done more to counteract it. Rather than deal with each country separately, on a "hub and spoke" basis, it should have done what the US did in 1947 when "Balkan" tendencies in western Europe were rampant. Get together, George Marshall told the Europeans: work out a joint programme, and we will help you. "Any government which manoeuvres to block the recovery of other countries cannot expect help from us." That is the tone the EC should have taken in its dealings with the Balkans, and with eastern Europe as a whole.

Mr George Astbury, training and development manager at British Gas Northern, has strong views on the career guidance offered young people. He thinks much of it is poor and anti-industry.

"Most of the officers from the Careers Service seem to have little understanding of our industry, or industry in general," he says. "I think they believe working for British Gas involves donning a pair of overalls and walking around with a spanner. But we have a huge range of jobs on offer."

Mr Astbury, like many fellow employers in the Confederation of British Industry - where he sits on the education policy panel - has lobbied for reform of careers education and guidance, currently provided partly by schools and partly by the 6,000-strong Careers Service. The latter has an annual budget of £135m and several client groups, including schoolchildren, 16-to-19-year-olds on government training courses, and employers.

The service will undergo a thorough overhaul over the next few years following legislation last week which stripped local education authorities of their statutory supervisory role. Responsibility for running career's guidance will shift to the department of employment, which will introduce competitive tenders for a franchised service. Instead of 115 Careers Services run solely by LEAs, the government wants various local organisations to provide a new patchwork of services for local communities. Funding will still come from central government though the figure is not yet fixed.

Interested observers, including the CBI and the Institute of Careers Guidance, which represents careers officers, say the reform addresses some, but not all, of their concerns about the quality of advice. A particular worry is that guidance in school will not be improved by the changes because it is not part of the new national curriculum which concentrates on core academic subjects. They argue improvements in careers advice should span both schools and the Careers Service.

What is clear, however, is that the service has moved from being a neglected Cinderella of local government to near the top of the political agenda as employers have grown more concerned about the skill levels of UK workers.

Renewed interest in careers advice stems in significant part

## Dear David: shall I stay on at school?

Lisa Wood examines a shake-up in the careers guidance offered to young people in the UK



Job hunter: How can he best be guided towards the skills that will make him more employable?

from a CBI report, *Towards a Skills Revolution*, published in 1989. It argued skill levels could be improved since individuals were motivated to make the fullest use of their talents. But the training and vocational system had never put individuals first - the needs of providers had enjoyed higher priority.

General recommendations on lifelong learning included specific calls for the introduction of a system of credits which would give individuals a publicly-funded right to post-16 education or training. Critical to the success of this scheme was high-quality careers guidance so that young people received help in deciding whether to stay at school or take up a job with training.

The influence of the CBI's ideas was evident in the government's 1991 white paper, *Education and Training for the 21st Century*, which outlined its plans for all 16 to 19-year-olds. By 1996, the paper announced, a watered-down version of the CBI proposals. Training credits for those leaving full-time education would be introduced.

The white paper contained proposals for raising the overall quality of the Careers Ser-

vice, drawing it closer to employers and forging new links with employer-led Training and Enterprise Councils. Tecs were set up to administer the government's publicly funded training programmes and increase employers' commitment to training.

In tandem, the government also conducted an internal review of the Careers Service though no report was published. Careers officers who saw the findings say the government failed to make a case for reforming the service. "It is difficult to judge whether the government was concerned to strip the powers of LEAs or make a genuine privatisation," said one.

The then-employment secretary, Mr Michael Howard, wrote to interested parties asking for comments on options for the service, saying: "The introduction of market disciplines is needed to sharpen management practice, which in some areas is below an acceptable standard."

The result has been a wide-ranging reform, under which the employment secretary, now Mr David Hunt, will choose how careers services should be provided at the local level. For

instance, he could decide to include local education authority Careers Services working in partnership with other organisations, such as Tecs, or he could exclude them entirely.

There are no prescribed models, although it is understood that the government will look favourably at partnership arrangements that demonstrate broad community support, particularly from employers. Services to the core client groups will still be free but there could be a charge for "bolt-on" services, such as adult counselling.

Tecs, responsible for providing Youth Training places for young people, and which also do pioneering work on adult guidance, are understood to be lobbying hard for such partnerships. Many have already built voluntary partnerships, with varying degrees of success, with their local LEAs.

The CBI, however, objects to Tecs being involved in franchise bids. Mr Howard Davies, director-general of the CBI, argues that they should not be directly involved in providing careers guidance; rather, they should be strategic overseers of the setting up of local markets for advice.

This controversial sugges-

tion has drawn criticism from several careers officers, who would prefer to see the Tecs involved directly in the new services. "If there is a local market, who would advise the individual on which provider of advice to go to?" asks Mr Allister McGowan, head of the Careers Service in Hertfordshire.

Apart from specific worries about how the reforms will be implemented, many careers officers are concerned about the threat to jobs. In Greater London, for example, there is scope for a rationalisation of the 32 borough-led careers services.

Mr McGowan said there was both uncertainty among careers officers about future employment prospects and concern over the quality of new providers. However, the changes might enable the Careers Service to move more effectively into new markets, particularly guidance to all age groups, he said.

Local business people, he added, had a role to play - his LEA is setting up a voluntary partnership with Hertfordshire Tec. If Hertfordshire is chosen as one of 14 pilot schemes, from April next year, he said the arrangement would probably be put on a more formal footing and a joint bid made for the local franchise.

"We need to explore how we actually get employers involved in the delivery of education and training," he said. "Teaching young people about work is more than an employer offering to give a talk on spot-welding. It has to be deeper and more sustained than that."

A sustained commitment to careers guidance might help young people make better and more informed decisions about their working lives. A recent Audit Commission report with the Office for Standards in Education found that more than a third of 16 to 19-year-olds in full-time further education did not complete their studies or attain the intended qualifications. The government hopes its reforms will put an end to such discrepancies. If a period of administrative chaos is necessary to enable young people to decide on which skills they need to acquire, then the disruption will be worth it.

Mr Davies, of the CBI, said: "We need higher skill levels in this country, and an enhanced system of careers advice and guidance is central both to achieving that objective and to ensuring that those skills match up with appropriate labour market opportunities."

## WHERE TO WATCH THE FT THIS WEEK

## MONDAY

07:45 European Business Today† - Daily news, company results, market moves and boardroom interviews.  
12:30 West of Moscow †  
22:30 European Business Today†

## TUESDAY

07:45 European Business Today† (22:30)  
13:15 West of Moscow\* (18:15)  
08:15 FT Reports\* (15:45, 23:45)

## WEDNESDAY

07:45 European Business Today† (22:30)  
21:30 Financial Times Reports†  
Courier Wars. The US and Australian giants battle for the European Market.

All times are CET

KEY • Sky News † Super Channel  
\* Euronews

## THURSDAY

07:45 European Business Today† (22:30)  
08:15 West of Moscow\* (15:45, 23:45)  
13:15 FT Reports\* (18:15)  
20:00 Financial Times Reports • (01:00, 05:15)

## FRIDAY

07:45 European Business Today† (22:30)

## SATURDAY

05:30 Financial Times Reports •  
08:30 Financial Times Reports †  
11:15 West of Moscow •  
Selling selling. How are Western advertising agencies making out in the old Soviet Union? (22:15, 02:15, 05:15)

## SUNDAY

13:00 Financial Times Reports • (20:00)  
19:00 Financial Times Reports †  
22:30 West of Moscow †

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## LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution.

## UK's 'rare breed' hit by computer tariffs

From Ms Eileen Chao.

Sir, I would like to echo the cry for scrapping tariffs in the computer sector made by Mr G S Shingles, chairman of Digital Equipment (Letters, July 5). We have just finished exhibiting in a leading UK computer show. We were astonished at the responses we received when it was mentioned that we were a UK company that

designs and manufactures all its products in the UK. Reactions ranged from raised eyebrows and looks of incredulity, to comments like "good luck to you" and "good grief". It is sad that UK manufacturers in the computer industry are such a rare species, and the high level of tariffs this government has imposed is a major contributing factor.

Mr Shingles has focused on the UK computer industry's ability to compete in the world computer market, but there is an even more urgent reason at home for abolishing high tariffs in the computer sector. In the UK, local manufacturers are facing competition from US and Far Eastern manufacturers, which pay import duties of less than half those we pay on

imported computer parts that cannot be sourced in the UK. Unless this is changed, it is no wonder that people should marvel at the purpose/logic behind a UK manufacturer. Eileen Chao, company secretary, Gray Cell Systems, Fulton House, Fulton Road, Wembley, Middx HA9 0TF

## Lessons not to be ignored on corporate venturing

From Prof Dale Little.

Sir, Christopher Lorenz (Management, July 2) highlights the renewed interest in corporate venturing. This is supported by the significant number of companies which, because of our research during the 1980s into new business development, have been approaching us. It is important that many of the lessons learned from those earlier, often unsuccessful, attempts are not neglected. The research pointed to a number of issues which need to be addressed. In particular, it appears important to adopt evaluation, planning and control approaches more appropriate to the special features of innovative, than of mature,

mainstream businesses. Careful attention to marketing must be ensured from the initiation of any new venture as against assuming a technology or product-based stance. There must also be clear responsibility at a senior level for venturing activities, which should be considered as an integral component of the strategic development of the company. And venturing activities must work effectively with the major functions while at the same time being insulated from the operational requirements of the firm. Dale Little, Manchester School of Management, UMIST, Manchester M60 1QD

## Ashworth's research centres and academic chairs will help LSE

From Lord Desai.

Sir, The news of John Ashworth's setbacks (*Observer*, "Under review", June 25) needs to be put in perspective. While he may have lost County Hall and his plan for top-up fees, he has already chalked up a number of successes. One of these is the Centre for the Study of Global Governance, which is funded by the World Humanity Action Trust. As its director, I can vouch for the fact that it was John Ashworth's network as a natural scientist which secured us the money. The same is true of the Principe d'Asturias chair in Spanish Studies established with a donation of £500,000. The *Observer* item appeared in the middle of a three-day conference on Evolution and

the Human Sciences. Not only had John Ashworth, as a microbiologist, been instrumental in setting up this dialogue between natural scientists, social scientists and philosophers, but he helped its host, the London School of Economics philosophy department, secure from an anonymous donor a 25-year, rent-free lease on a building in the vicinity of the LSE. This will house the proposed All London Centre for the History and Philosophy of Science. Eventually research centres and academic chairs will help the LSE, whatever happens to County Hall. Meghnad Desai, Centre for the Study of Global Governance, Houghton Street, London WC2

## Competitive companies are the key to removing unemployment

From Mr John Horan MP.

Sir, As Samuel Brittan says (*Economic Viewpoint*, July 1) in commenting on the prime minister's remarks in Copenhagen and my own pamphlet, *Making Britain Competitive*, the units that compete in world trade are companies, not nations. Quite so. Nevertheless, as, among others, Michael Porter, in his book *The Competitive Advantage of Nations*, points out: "The national economic environment does have a central role in determining the success of companies." Compare, for example, the performance of major car companies in Japan, the US, Germany and the UK. One of the most important points in my pamphlet was that the countries where the highest growth has been achieved postwar have been those such as Japan and South Korea, which have both a mar-

ket economy and a government that gives top priority to improving the competitive environment. The market-led reforms of the 1980s brought about a huge improvement to Britain, but the government policymaking process still needs a lot of attention. In particular it needs better co-ordination, economic policies better designed to help business and a more skillful approach in areas where the government itself is responsible. For example, since good policy starts with proper information and analysis, I suggest that a government-wide competitiveness unit should be established. This should report to a cabinet committee on competitiveness, chaired by the prime minister and including the president of the board of trade, the chancellor of the exchequer, the chief secretary

and the secretary of state for education, who would also be responsible for training. All economic decisions such as the shape of the budget should be looked at by this committee. This would give a competitiveness strategy proper priority and improve co-ordination. Interestingly enough, it was also reported in your July 1 issue ("Treasury boosts help for business") that the Treasury is to set up a new unit to explore ways that it can improve industrial competitiveness. This shows the thinking is moving in the right direction, though it also betrays the fact that the government is still too departmentalised. The Department of Trade and Industry already has a competitiveness unit, so here we have another set up by the Treasury. I advocate one for the government as a whole. Samuel Brittan admits that,

if relevant competitiveness is not the explanation for the differing economic performance of nations, there has to be some other. He advocates changes in the labour market and pay and he concludes: "If there is to be a return to full employment, much more effort will have to be made by employers to find pay rates at which jobs can be offered." I disagree. Pay is only part of the equation. I think we will not return to full employment until we have more of the competitive companies that have developed in the UK in the last 12 years. Japan has more and it has low unemployment. National economic policy should be directed towards improving the competitive environment. John Horan, House of Commons, Westminster, London SW1

قوله الله تعالى

## FINANCIAL TIMES

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Wednesday July 7 1993

## Health and development

THE WORLD Development Report from the World Bank is a timely reminder that at the root of the world's health problems lies a remarkable success: the increase in the life expectancy of all of the world's citizens. Precisely how long, and how healthy, their lives will be is still excessively determined by place of birth. But the rules for serving their rising health needs as well as possible are the same the world over.

In 1950, a child born in the developing world had a life expectancy of 40 years. Today it is 63 years. The chance of that child dying before the age of 5 is now 1 in 10, nearly three times lower than in 1950. The World Bank's report, "Investing in Health", pays due tribute to such achievements, the result of gains in income and education as well as concerted public health programmes.

Not that there is room for complacency. As the report notes, infant mortality is still 10 times higher in the developing world than in the established market economies because easily preventable health problems persist. Some 48 per cent of the burden of disease in Sub-Saharan Africa is due to complaints such as measles, which are cheaply prevented or cured. The report argues that governments could make progress even on existing budgets, by targeting funds more effectively.

## Broad scope

The Bank's recommendations see a broad scope for the developing world to learn from the developed. Strategies which richer countries have found only belatedly in the face of rising health costs could be adopted now in many low and middle income countries. These would produce immediate gains in terms of human life as well as ensuring that future economic development has the maximum possible effect on health and living standards.

Governments must target what they spend towards these services which offer the biggest return. The difficult calculation about the balance of spending between highly specialised treatment and simpler procedures of wider value applies in both rich and poor countries. In the developing world, many still die for lack of access to clean water.

## Crime, justice and efficiency

THE WISDOM of the 352 recommendations in yesterday's report from the Royal Commission on Criminal Justice should be assessed by the extent to which they will reduce the miscarriages of justice that have discredited Britain's criminal justice system. Although the scope of the inquiry has rightly been broadened to address other aspects of public unease, it was launched following the overturned convictions of the Maguire Seven, the Guildford Four and the Birmingham Six. Restoring confidence in the criminal justice system is vital not only in the battle against crime in the UK, but also in convincing other countries that they can co-operate with the British authorities in pursuing criminals.

Thus the recommendation that an independent tribunal be set up to review alleged miscarriages of justice is welcome. So, too, is the loosening of the restrictions on what may be considered by the Appeal Court in reviewing a case. These proposals should ensure that discredited convictions can in future be overturned more speedily than the 18 years taken with the Birmingham Six.

However, dealing with alleged miscarriages should be the final step in ensuring that justice is done. More important are measures to reduce the chances of mistakes in the first place. That means overhauling the process by which crimes are investigated and convictions obtained. At present, the police are under pressure to clear up crimes by finding a culprit and extracting a confession, sometimes with inadequate corroborative evidence. The string of miscarriages has made juries suspicious of the police and reluctant to convict on such evidence.

## Interrogation techniques

Rectifying this means shifting the emphasis from securing a conviction, however unsatisfactory. Some of the commission's recommendations will assist in this. For example, opening up forensic evidence to the defence should encourage more objective examination of this specialist material, which is often crucial to a case. Better training for the police in interrogation techniques would reduce the number of confessions that later turn out to be groundless. A more rigorous approach to

At the same time, the report encourages developing countries to promote diversity and competition in the funding and delivery of health services. The breadth of the Bank's experience enables it to show where lessons learnt in high income countries - about the dangers of fee-for-service insurance systems, for example, or scope for localised decision-making - can be applied in poorer regions.

## Donors' role

Growth in understanding of these points is at least as important as overall spending levels. The report notes that the share of overseas aid devoted to health fell from 7 to 6 per cent during the 1980s and argues that this cut should be restored. The Bank also points to a World Health Organisation estimate that less than half of all medical equipment in developing countries is usable. Donors clearly have a part to play in ensuring that money is wisely spent.

The report also focuses upon two controversial areas: Aids and tobacco-related diseases. On current trends, each will be killing around 2m people a year in developing countries within 10 years. There is little support in this report for a fashionable western view that too much money is being spent on research into combating Aids, although in the developing world, the key message is that preventive measures are as potentially effective as they are potentially available. Diseases caused by tobacco also call for determined preventive programmes, although here the developed world's stance is compromised by the commercial interests of its cigarette manufacturers.

The core message of the Bank's report is that investment in health and in growth are two sides of the same coin. There is a "virtuous reinforcing cycle" from improved health standards to higher productivity and stronger economic growth. The world's richest countries, as represented today at the G7 summit in Tokyo, have a role to play at each stage of the cycle, through nurturing information flows, aid programmes and, most important of all, the further development of a liberal system of international trade.

Germany's IG Metall, the world's most powerful trade union, is an unsentimental organisation. Six weeks ago, its charismatic leader, Mr Franz Steinkühler, was brought down by charges of insider trading. At a national conference on the future of pay bargaining one month later in Frankfurt his name was not mentioned once.

But the conference did more than emphasise that it is business as usual for Germany's 3.3m-strong engineering union. It also signalled that Germany's industrial relations system, battered by the deepest economic crisis since the war, is groping back towards the rational and consensual habits for which it was once admired.

The message to his members from 54-year-old Mr Klaus Zwickel, the new president of IG Metall, is clear: "For the next few years the room for manoeuvre on wages is going to be very limited." Under influence, he says, should be diverted into extending worker participation and influencing job structures. "Above all the new priority for our members is securing jobs," he adds.

But here, too, Mr Zwickel is coldly realistic. He is armed with the hard facts about industry's plans for lay-offs and restructuring from union members who sit on the boards of Germany's biggest companies. Mr Zwickel accepts that German industry faces "deep structural problems" and that manufacturing employment will fall "sharply". This is not just conciliatory rhetoric after a period of unusually direct industrial confrontation. As German manufacturing sheds thousands of jobs every week, pushing unemployment to 3.27m last month, the union is not protesting or threatening strikes, as its UK counterparts did with little success in the early 1980s. Confronted by rising debt queues, the unions have moderated their pay claims. April's engineering industry pay rise of 3 per cent will probably mean a small fall in real incomes for most IG Metall members this year.

For Mr Zwickel and the German unions, it is a time for consolidation and even for tactical retreat, exemplified by recent IG Metall decisions to allow weekend working at one plant and a curtailment of benefits at a few others.

Yet the unions are operating from a position of relative strength. In the 1980s, while organised labour was in retreat throughout the industrialised world, union membership levels in Germany held firm at about 35 per cent. German workers also moved to the top of the world's hourly pay league and, thanks to IG Metall's successful campaign for the 35-hour week, now work the fewest hours per year of

German unions are trying to build a consensus while protecting their national rights, says David Goodhart

## A shifting market to test their metal

all industrialised nations.

The success story was crowned at the beginning of the 1990s by the wholesale transportation to east Germany of the west German industrial relations model: national bargaining and strong, industry-based unions combined with legally-backed works councils (with wide veto powers over management decisions) and workers on the board at company level.

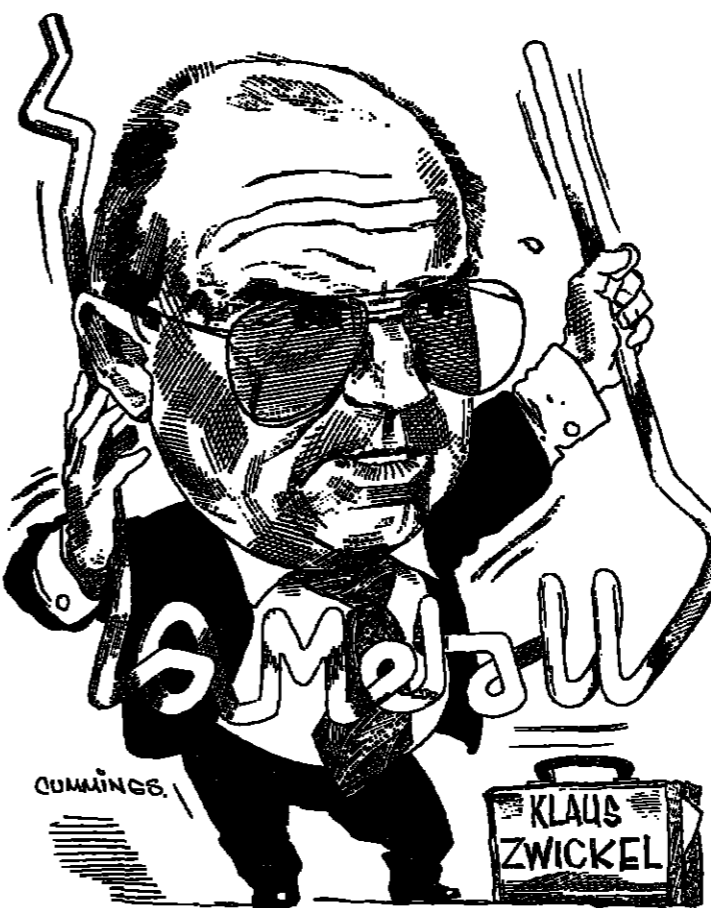
Such was the hold of the consensus model and the commitment to unification that German employers agreed in 1991 to equalise wages between east and west by 1994.

Two years later the whole deal threatened to fall apart. The engineering industry employers tried unilaterally to revoke the wage deal. IG Metall, led by the physically imposing figure of Mr Zwickel, denounced the move as an attempt by the employers to use east Germany to try to break the entire national bargaining system, and ultimately to bring down wage costs in the west. On May 3, he called his members out on strike.

"It was the first time in postwar German history that the employers had torn up an agreement," Mr Zwickel says, his booming voice shaking with emotion at the memory. He maintains that both sides knew the real issue was not how quickly wages should be equalised but the sanctity of national agreements covering wages and conditions - what Mr Zwickel calls "the living nerve of the German unions".

Union officials admit privately that equalisation of wages creates problems in an area like east Germany where there are huge differences in productivity between old and new plants. Some east German plants have productivity as low as 30 per cent of the west German average while, for example, General Motors' Eisenach plant has 150 per cent of western productivity.

When the IG Metall strike ended three weeks later, the union agreed to a delay until 1996 in the wage equalisation goal. Crucially, it also accepted "hardship clauses", allowing an employer as his predecessor especially as the union tries to push into new, white-collar areas to compensate for a shrinking blue-collar



base. Many of those employers believe that the more conciliatory noises emerging recently from IG Metall's glass box headquarters in Frankfurt are too little, too late. Some employers are already seeking more flexible local deals outside the central bargaining system, although most want to stay within the national agreement. The unwritten rule that wages rise in line with prices, plus a share of productivity, has served many of them well.

But many employers now argue there must be further decentralisation and labour flexibility if Germany is to compete, pointing to the yawning difference in wage costs in Germany and elsewhere in Europe: hourly wages in Hungary (in

base. Many of those employers believe that the more conciliatory noises emerging recently from IG Metall's glass box headquarters in Frankfurt are too little, too late. Some employers are already seeking more flexible local deals outside the central bargaining system, although most want to stay within the national agreement. The unwritten rule that wages rise in line with prices, plus a share of productivity, has served many of them well.

But many employers now argue there must be further decentralisation and labour flexibility if Germany is to compete, pointing to the yawning difference in wage costs in Germany and elsewhere in Europe: hourly wages in Hungary (in

D-Mark terms) are one-tenth the German level and in Estonia one-hundredth. Mr Zwickel retorts that the German system fosters high skill and adaptability and, that on unit labour costs - combining costs and productivity - Germany is still cheaper than Britain, France and Italy and only slightly dearer than the US and Japan.

Even if Germany can remain competitive with western rivals, the attractions of low-wage eastern Europe mean that German companies are already moving jobs and investments east. The fear is, therefore, that Germany is now seeing not just recession-related job losses, but also more permanent structural unemployment.

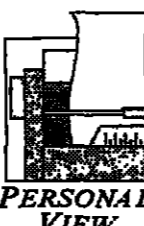
Mr Zwickel dismisses the current demand by employers for a return to the 40-hour week, which he claims would increase unemployment by 800,000. Employer pressure to hold down the wages of unskilled labour and to negotiate at the plant level with more company-friendly works councils rather than the national union may be more difficult to resist.

Works councils are usually dominated by union members, but have been ahead of the national union in backing flexible working time arrangements. Thanks to that flexibility, the union can now boast that, as the working week has been cut, the running time of machines has actually increased. Mr Zwickel says that many employers have failed to exhaust the existing flexibility on working time.

"We reject a debate which is focused only on labour costs because we believe that 70 to 80 per cent of our problems stem from encrusted management structures," says Mr Zwickel, who is keen to improve product quality with "intelligent" team-working. He is not always sweet reason. The 12 requests by companies to implement the "hardship" clauses and thus to escape the overall wage agreement in east Germany have been rejected by the union. Six of them have now been ruled as justified by arbitrators - it is up to the union to decide if it accepts the ruling.

IG Metall may have held the line so far on its national agreements, but pressures on the union will remain intense. The union is at the cutting edge of the restructuring challenge facing the whole of German industry. It is not only German industry and the employers that have to adapt, IG Metall has to learn to juggle its inclination towards consensus and its desire to preserve traditional collective bargaining rights.

## Solutions for a little local difficulty



## PERSONAL VIEW

greater part of its own affairs. It has been a similar story in Bristol and on Teesside, while in Lincolnshire there is probably quite quiet (naturally) satisfaction that there need be no change in the present local government arrangements.

There is thus a serious risk that the review of the structure of local government in rural England will end up doing some popular things. But popularity is not necessarily a recipe for sound public administration. And the councillors whose futures are threatened have been quick to criticise the Local Government Commission for England's proposals and to hire expensive lobbyists to convince local people to reject them.

The commission has clear objectives: to correct any mistakes that

were made in the last reorganisation in 1974; to streamline the confusing and wasteful two-tier system of district and county councils - there is considerable overlap of functions and few people know who is responsible for what (or, indeed, who their local councillors are); and, most important, to equip local government to meet the challenges of the early decades of the next century.

In the words of a recent FT leading article ("Local counsel", June 17), this will require a system of local government capable of strategic action, and which combines local delivery of services with genuine electoral accountability.

In the British way of doing things, we are only looking at the structure and boundaries of local government in rural England, not the way the new authorities are to be managed, nor how they will be financed. But, despite the obvious dangers in such a fragmented approach, useful progress has been made - even if we have not been able to "reinvent local government", to borrow the fashionable transatlantic phrase.

In less than a year, we have

examined five different areas with a combined population greater than that of Scotland. The 75 councils now involved spend more than £6bn a year - some three times the current budget of the Department of Trade and Industry - and they employ some 200,000 people.

In each area, we have sought to balance the sometimes conflicting requirements of community identity

**The commission's recommendations are based on people's stated feelings about where they belong**

and interests, convenient and effective local services and costs. Our recommendations are based on people's stated feelings about where they belong. And we have put a range of structural choices to local people, recognising that any new structure must be grounded in popular understanding and support.

If our recommendations find favour with local people, the gov-

ernment and parliament, there will be 24 new unitary local authorities replacing 66 county and district councils. There will have been a reduction in indirect costs compared with the present arrangements of some 10-12 per cent, worth some £80m a year, or around £35 for every household. The average new authority will have a population of around 250,000, although some will be relatively small with populations of less than 100,000 and a few will be quite large - though still smaller than the county council areas they replace.

We have been dangerously open about our method and approach. We think that a unitary structure is generally to be preferred to the existing two-tier system; but we recommended no change where the system seems to work well. We have not invariably chosen the lowest cost structure; but we have not put forward recommendations that will add to the present cost of bureaucracy in the areas in question, since all the evidence suggests that this would be unacceptable to local people.

And far from local democracy going out of the window, there will

be an improvement in democratic oversight compared with the present county councils, an enhanced consultative role for local (town and parish) councils, and maximum possible devolution of day-to-day management to the community level.

As we near the end of the first round of our work, several lessons are clear. People care much more deeply about their local government than is generally believed; we have been receiving as many as a thousand letters a day from a single review area.

There are few obviously right answers; in many places, the arguments between the alternatives are finely balanced. This is a time of great potential opportunity for English local government. But it could all too easily be lost in the morass of institutional politics - powerful vested interests are not going to go "quietly into the night".

**Sir John Banham**

The author is chairman, Local Government Commission for England

## OBSERVER



Two parent families are over-rated

minister's role in guiding the treaty through the house.

So his departure from the foreign office in the May cabinet reshuffle appeared to leave a gap in the British government, which is trying to cosy up to Latin America now the continent's economic performance is looking up.

Into the breach, however, steps chief secretary to the treasury Michael Portillo. Also a fluent Spanish speaker, Portillo is at this very moment on a trip to Mexico and Chile with a group of British businessmen in search of export and investment opportunities.

At first blush, Portillo's direct treasury style might look a little

dull beside the flamboyant Garet-Jones and his trade-mark cape. But Portillo does have some things going for him. A taste for the good life - and a liking for the odd glass of champagne - never goes down badly with Latin American elites. And, though he's on the political right, Portillo has other bases covered. His father fought against Franco in the Spanish civil war and there are plenty of Franco exiles scattered all over Latin America.

## Tit for tat

Is it the sun, or is it to keep out the peeping toms from across the square? Whatever the reason US investment banker Morgan Stanley seems intent on reversing the trend towards greater transparency in Britain's financial markets by shrouding its affairs in secrecy.

It is replacing the windows of its Cabot Square headquarters, in London's Canary Wharf, with reflective glass panels. As a result Morgan's rivals across the Square at Credit Suisse First Boston will no longer be able to train their binoculars on the firm's innermost secrets. Expect CSFB to follow suit.

## Eying up 3i

There may be no such thing as bad publicity but 3i, Europe's largest venture capital company, has decided that enough is enough

Battered by reports of its on-off flotation and bruised by comment about its inability to keep a chairman, it has decided that its image needs management.

Charles Richardson, 39, who has worked for 3i for 12 years and is currently regional director for the north and Scotland, has been appointed 3i's first director of corporate affairs.

Hard to know whether this is a promotion or a sideways move for Richardson. But there is rather less ambiguity about the role of Shandwick, whose long-term relationship with 3i has been one of the few fixtures in the fickle pr world. Dewe Rogerson, brought in to handle 3i's much delayed flotation, seems to be emerging as the senior media adviser, which must be all rather humiliating for what used to be the world's biggest pr company. After all it was 3i which gave Shandwick its first big break in business.

## Which princess?

Ever wondered how far you can go on a River Thames pleasure boat from Westminster pier? Greenwich, Richmond, and Hampton Court are regular ports of call. But the shipping casualty report in yesterday's Lloyd's List notes that the Royal Princess was on a cruise from Amsterdam when it bumped in to Southwark Bridge on Sunday. Had the skipper been on the helm two days?

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# FINANCIAL TIMES

Wednesday July 7 1993

**Brossette B7I**  
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**WOLSELEY**  
Au plus bas des prix

## EC monetary committee warns UK forecasts are too optimistic

By Lionel Barber in Brussels

THE British government has come under sharp criticism from its European Community partners for overestimating the impact of economic growth in curbing its £50bn (£75bn) budget deficit.

The challenge to the credibility of the government's plan surfaced during a meeting of the EC's secretive monetary committee composed of senior treasury and central bank officials from the 12 member states.

It is likely to reinforce the belief that tougher measures, including tax rises and/or spending cuts, may be needed to restore the worst deterioration in the UK's public finances since the 1976 sterling crisis.

Mr Kenneth Clarke, Britain's

new chancellor of the exchequer, will be grilled about the government's plans for bringing the economy back into balance at next Monday's meeting of EC finance ministers.

The target of the monetary committee's criticism is the UK's "convergence" plan - the programme to make its economy ready for economic and monetary union by the end of the decade. The plan is based largely on measures announced in Mr Norman Lamont's last Budget in March.

Mr Jean-Claude Trichet, director of the French Treasury and chairman of the committee, led criticism of the UK government's plans. He challenged its argument that about 70 per cent of the deficit is "cyclical" and would therefore be reduced in the course of economic recovery.

In similar vein, the Organisation for Economic Co-operation and Development estimated last week that only half of the UK's budget deficit - now accounting for 8 per cent of gross domestic product - was cyclical. The other half represents a structural increase in spending.

British officials - including Sir Nigel Wicks, the UK representative on the monetary committee - were reported to have been taken aback by the attacks on the UK convergence programme.

Officials are scrambling to brief Mr Clarke so that he can present a robust response at next Monday's Ecofin meeting.

In a separate development, Mr Clarke can expect stiff questions about the government's medium-term financial strategy in relation to the Maastricht treaty's

plans for economic and monetary union by 1997 at the earliest, or by the end of the century at the latest.

Under the government's plans, the public sector borrowing requirement is set to fall from about 8 per cent of GDP in this financial year to 3.75 per cent by 1997-98. This figure is above the treaty's 3 per cent target. Some member states have inferred that the UK does not believe in the early Ecu timetable.

British officials retort that the UK Treasury is seeking merely to be realistic about the difficulties in reducing the deficit in the next five years. One diplomat noted that Mr Edouard Balladur, French prime minister, and Mr Theo Walig, German finance minister, had raised doubts about the 1997 Ecu target date.

## Attali likely to be given £147,000 payoff by EBRD

By Robert Peston and David Marsh in London

MR Jacques Attali, who is resigning as president of the European Bank for Reconstruction and Development, is likely to receive a tax-free payoff of more than £147,000.

Mrs Anne Wibble, chairman of the bank's governors who was in London yesterday to discuss Mr Attali's compensation arrangements and procedures for finding his successor, said she expected Mr Attali to receive a year's salary as an allowance for termination of employment.

Mr Attali's letter of appointment, signed by one of Mrs Wibble's predecessors, Mr Wim Kok, says his "annual net base salary"

is £147,000. Mr Attali has had a pay rise since then. "It seems clear it [the payoff] will be paid", she said.

Mr Attali resigned on June 25, following months of criticism of expenditure by the bank.

Mr Attali's letter of appointment says he is entitled to "a termination allowance equivalent to one year's net base salary" unless the bank's governors terminate his contract "for cause".

Mrs Wibble, Sweden's finance minister, said a decision on whether to pay Mr Attali the termination allowance would therefore depend on the outcome of the investigation into alleged overspending at the bank by the EBRD's audit committee, due to be completed by mid-July.

She said Mr Attali would remain at the bank until a new president arrived, which she hoped could be in September. Governors, representing the governments of 54 countries and agencies which own the bank, have until July 21 to nominate candidates and the election period lasts 21 days from then.

Mrs Wibble ruled out the idea of an interim president being chosen to run the bank before a permanent successor arrives, although a number of the bank's executives have been campaigning internally for an interim appointment.

Bank executives and directors believe that Mr Jacques de Larosière, governor of the Banque de France, will succeed Mr Attali.

## British right to jury trial under threat

Continued from Page 1

Although the right to be tried "by God and my peers" is seen as one of the UK's most important constitutional rights, it does not have the constitutional status it has had since 1968 in the US, where a jury trial is a right in all criminal cases in which the penalty may exceed six months in prison.

Moves to end jury trials - combined with other recommendations for the introduction of a system of sentence discounts for early guilty pleas and a new requirement on defendants to disclose their case to the prosecution before trial - prompted lawyers to suggest the commission had been more concerned with efficiency than justice.

But the commission, set up in March 1991 after a series of miscarriages of justice had rocked public confidence in the criminal justice system, also made a number of recommendations to prevent further such cases. Most of the proposals were welcomed by the police.

The legal profession's verdict on the commission, which examined the legal systems in more than 13 countries during its two-year £2.5m (£3.8m) inquiry, was that it had failed both to analyse why recent miscarriages of justice had occurred and to make sufficient recommendations to prevent them in future.

The Law Society, the body representing most UK solicitors, accused the commission of a lack of vision. Mr Charles Elly, the society's deputy vice-president said it had "chosen to steer a middle course rather than take a strategic review".

The report was, however, welcomed in the House of Commons by Mr Tony Newton, leader of the House. Mr Michael Howard, home secretary, is expected to give his detailed reaction in a speech to the Association of Chief Police Officers' conference in Birmingham tomorrow.

## Clashes between South Africa rivals leave 116 blacks dead

By Patti Waldmeir in Johannesburg

RIVAL BLACK groups fought running battles in the streets of two South African townships yesterday, pushing the nationwide death toll in the past four days of fighting to at least 116.

A junior official of the African National Congress claimed that the violence was an attempt to sabotage the transition to democracy after last week's multiparty agreement to set a date for the first multiracial elections.

Mr Ronnie Mamoepa, an official of the ANC's Johannesburg region, said: "It is an attempt to blackmail the country, with the blood of our people, into delaying the advent of democracy."

But peace monitors in the twin townships of Thokoza and Kathlehong near Johannesburg, where over half the killings have

taken place, played down suggestions that the violence was directly connected to the election date.

They said rival factions in the two neighbouring townships, which owe broad allegiance to the African National Congress and the Inkatha Freedom Party respectively, have fought many bloody battles since 1990, with many hundreds killed. Political rivalry explains only part of the motivation of the killings, which often follow a cycle of revenge, with each new death prompting further murders.

The two rival groups - residents of the Phola Park squatter camp and of the migrant worker hostels - are also divided along ethnic lines, with the former group mainly Xhosa and the latter mainly Zulu.

Peace monitors said violence was often sparked by attacks

from unidentified gunmen whom they suspected had right-wing connections. No such incident, however, was reported during the latest outbreak, and neither they nor the ANC had any evidence of who was involved.

They blamed police for abandoning their posts in the two townships, saying police had pulled out overnight and only returned in the morning to collect 20 more dead bodies.

Violence seems certain to increase once the political parties begin active campaigning for the elections, due on April 27 next year. Mindful of this, Mr Nelson Mandela and Chief Mangosuthu Buthelezi, the leaders respectively of the ANC and Inkatha, held a peace summit 10 days ago in an attempt to tame the violence.

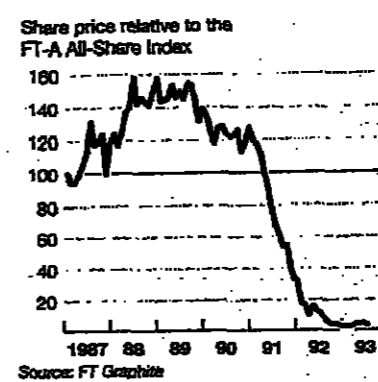
Eyewitness report, Page 7

## THE LEX COLUMN

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#### Greycoat



effect. Changing such organisations requires tremendous management momentum. Replacement of key personnel, a clearly defined and vigorous strategy from the board and action across a wide front are all needed if the initiative is not to be smothered by bureaucratic inertia. Witness the very different but determined approaches of Mr John Hoerner at Asda, who have certainly generated the impression of activity.

Mr Strong has been slower in that regard. While such things are partly a matter of marketing, that is after all Mr Strong's speciality. As yet it is too early to say that the Sears experiment has failed. Unless results are forthcoming, however, the time may not be far off when the question will be asked.

#### Sears

Sears' sale of its stake in Asprey and moves to start closing Ter Meulen Post are useful bits of corporate housekeeping. In particular the cutting of ties with Asprey underlines that Sears' chief executive, Mr Liam Strong, has the authority to unwind decisions originally taken by Mr Geoffrey Maitland Smith, the chairman. Still, the habit of tidiness is not enough when it comes to squeezing an adequate return from Sears' slumbering assets. The poor experience in the newly acquired Dutch mail order business also suggests that accidents continue to happen.

Part of the problem faced by Mr Strong at Sears is knowing where to start. So far his efforts have been focused on British Shoe, to some

#### 3i

There is some justification in 3i's satisfaction with yesterday's annual results. The group has managed to keep investing during the recession, though one has to take it on trust that it is only taking on good quality businesses, its cost-cutting efforts are beginning to pay off, and its balance sheet is strong enough for it to take advantage of the recovery. These, though, are all also reasons for disappointment at the delay in its flotation.

The past year saw a sharp rise - to £115m from £89m - in profits from the realisation of investments. Evidently 3i's clients have decided that now is a good time to cash in, a view which is also reflected in the number of new issues coming to the stock market. Its shareholders, by contrast, are hanging

on for more. This is not just because there is no longer any need for a big sale to help the Midland Bank. They seem genuinely to believe that greater value may be had by waiting.

This may yet prove rash. The value of its portfolio should grow with recovery. Provisions should also fall from last year's £171m, including the appalling £72m on Isosceles which 3i seems all too anxious to shrug off. But the demand for venture capital remains weak, while 3i's relative inexperience in continental Europe makes now a risky time to be stepping up involvement there.

Recovery has seen a narrowing of the discount to net assets at which quoted venture capital investment trusts trade. Given its conservative valuations, 3i might not reap much advantage from this trend. It will serve 3i's shareholders right if they become so greedy they end up losing out.

#### Granada/LWT

Granada's acquisition of a further slice of LWT only makes sense as a stepping-stone to the wider restructuring of commercial television. As a trade investment alone the holding hardly makes sense, not least because Granada is buying LWT shares at an unusually large price-earnings premium. The financial risk is limited if Granada is eventually forced to sell back to the market. But that would still tarnish the record of Mr Gerry Robinson, which has been unblemished since he took the helm.

Mr Robinson's reading of government is clearly that an industry rationalisation is on the cards. He is betting his reputation as well as cash on that outcome.

#### Executive pay

As the last of the electricity companies finally brings down the curtain on this year's main results season, an irritating trend is visible. Embarrassed executives are increasingly refusing to discuss their pay when they announce their preliminary results, arguing that the information will be disclosed in the annual report.

Since most publicity is focused on the preliminary results, and annual reports are not normally newsworthy, this is a pretty clear attempt to avoid the limelight. Perhaps future artful dodgers will get the publicity which their shyness and pay rises really deserve.

**FT WORLD WEATHER**

**Europe today**

Tropical temperatures will be noted in far southern Europe. Some afternoon readings in Greece and Spain will rise to 35C-39C. Colder air has pushed into the Low Countries. Germany, Poland and the Baltic states giving maximum temperatures of 15C-20C. A frontal zone will extend from Italy into Russia and will influence south-eastern Europe with several thunder showers. In Scandinavia, the northerly air flow will bring cloudiness and scattered rain in northern and central areas, but in southern Norway and Sweden some sunshine will occur. Most of France will be rather sunny, with some clouds in the north-east.

**Five-day forecast**

An active low pressure area between Iceland and Scotland will slowly move eastward whilst deepening. It is expected to reach the coast of Norway by the weekend. The associated frontal zone will cause some heavy rain in the UK on Thursday, spreading toward south-western Scandinavia by Friday. The depression will also cause cool and unsettled conditions over north-western and northern Europe. Southern Europe will remain warm.

**TODAY'S TEMPERATURES**

Location	Temp	Location	Temp	Location	Temp	Location	Temp
Abu Dhabi	38	Berlin	18	Chicago	29	Faro	28
Accra	30	Birmingham	18	Cologne	19	Frankfurt	28
Algiers	30	Bombay	32	Copenhagen	19	Geneva	22
Amsterdam	17	Bordeaux	25	Dallas	30	Hamburg	18
Athens	37	Brussels	18	Darwin	35	Heidelberg	18
Bangkok	36	Budapest	23	Doha	38	Hong Kong	31
Barcelona	26	Buenos Aires	10	Dubai	37	Honolulu	28
Batavia	27	Cairo	39	Dubrovnik	21	Isle of Man	18
Beijing	27	Cape Town	19	Edinburgh	21	Istanbul	32
Bombay	32	Caracas	28	Jersey	18	Karachi	35
Buenos Aires	10	Colombo	28	Kuala Lumpur	32	Khartoum	35
Buenos Aires	10	Dakar	30	La Paz	16	Kobe	28
Buenos Aires	10	Dhaka	30	Las Palmas	25	Kuala Lumpur	32
Buenos Aires	10	Doha	38	London	18	Nairobi	28
Buenos Aires	10	Dubai	37	Los Angeles	28	Nagasaki	28
Buenos Aires	10	Dubrovnik	21	Luxembourg	18	Nassau	28
Buenos Aires	10	Edinburgh	21	Madrid	24	New York	25
Buenos Aires	10	Jersey	18	Moscow	32	Nice	28
Buenos Aires	10	Karachi	35	Munich	28	Nicosia	28
Buenos Aires	10	Khartoum	35	Osaka	28	Paris	22
Buenos Aires	10	Kobe	28	Perth	18	Perth	18
Buenos Aires	10	Kuala Lumpur	32	Phoenix	33	Port of Spain	28
Buenos Aires	10	Khartoum	35	Rangoon	31	Rangoon	31
Buenos Aires	10	Khartoum	35	Riyadh	31	Riyadh	31
Buenos Aires	10	Khartoum	35	Sao Paulo	28	Sao Paulo	28
Buenos Aires	10	Khartoum	35	Seoul	28	Seoul	28
Buenos Aires	10	Khartoum	35	Singapore	31	Singapore	31
Buenos Aires	10	Khartoum	35	Stockholm	18	Stockholm	18
Buenos Aires	10	Khartoum	35	Sydney	19	Sydney	19
Buenos Aires	10	Khartoum	35	Taipei	28	Taipei	28
Buenos Aires	10	Khartoum	35	Tokyo	28	Tokyo	28
Buenos Aires	10	Khartoum	35	Toronto	28	Toronto	28
Buenos Aires	10	Khartoum	35	Tunis	28	Tunis	28
Buenos Aires	10	Khartoum	35	Vancouver	21	Vancouver	21
Buenos Aires	10	Khartoum	35	Venice	27	Venice	27
Buenos Aires	10	Khartoum	35	Vienna	22	Vienna	22
Buenos Aires	10	Khartoum	35	Warsaw	18	Warsaw	18
Buenos Aires	10	Khartoum	35	Washington	18	Washington	18
Buenos Aires	10	Khartoum	35	Wellington	9	Wellington	9
Buenos Aires	10	Khartoum	35	Winnipeg	18	Winnipeg	18
Buenos Aires	10	Khartoum	35	Zurich	22	Zurich	22

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مكة امنه الاصط

INSIDE

KHD looks to VW for cost-cutting ideas

Klockner-Humboldt-Deutz, the Cologne-based engineering group, is to adopt the Volkswagen group's cost-cutting techniques in an attempt to restore growth. The company expects to break even for the second year in succession. Page 16

Northwest placates pilots

Northwest Airlines, the US carrier, has staved off a bankruptcy filing by reaching an agreement with its pilots' union. Page 17

Music to investors' ears

Gaylord Entertainment's The Nashville Network is one of the most successful US cable channels and a second network, Country Music Television, is among the fastest growing. Since the country music company, which owns the Grand Ole Opry, went public in 1991 its share price has soared from \$20.50 to around \$45. Page 18



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Developing Portuguese bonds

With the issue last week of Portugal's 10-year bond, the Portuguese debt market now has matured ranging from two years to 10 and is expected to have a bond futures market by next year. Page 19

Lorho in popularity drive

Lorho, the international trading conglomerate, has recruited James Capel as its joint stockbroker to rebuild better relations with institutional investors. Lorho has dismissed reports that it wants a rapprochement with the City as part of a longer-term goal of seeking funds via a rights issue. Page 20

BT registrations total 5.2m

The total number registered for the sale of the government's remaining holding in British Telecom is 5.2m compared with 5.25m in 1991. Page 21

Surge in diamond sales

Diamond sales by De Beers, the South African group which dominates the market, reached \$2.54bn in the first half of this year, a 42 per cent increase on the first six months of 1992. However, De Beers said that "it would be unwise to look upon the increased level of sales for the first half as a reliable guide to 1993 as a whole". Page 22

Greek market welcomes sugar

The list of Greek companies wanting to go public is lengthening but the market's weak performance over the past two years has acted as a deterrent. However, last week saw the first new issue in over a year - the listing of Hellenic Sugar Industry, the state-owned sugar beet processor - and the issue was 4.3 times oversubscribed. Back Page

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Chief price changes yesterday

FRANKFURT (DM)			LONDON (Pence)		
Heldco Zet	1185	+ 35	Ar Lique	745	+ 16
Industrie Wels	325	+ 6	SLC	865	+ 24
IGD	108.7	+ 3.8	Pelle	1851	+ 46
Relis	502	+ 16	Gaumont (Sud)	475	+ 23
Asko Pl	558	+ 17	Union Immo P	290	+ 15
Volswagen Pl	288.5	+ 4.2	Worms GA	273.9	+ 6.6
NEW YORK (\$)			TOKYO (Yen)		
Alcoa	38.94	+ 14	Fuji Spinning	561	+ 23
Bath Mountain	10	+ 4	Yokohama	1030	+ 41
Chrysler	48.6	+ 24	Yokohama	547	+ 22
Orion Motor	44.3	+ 14	Yokohama	878	+ 33
Norwood Mining	59.4	+ 14	Yokohama	744	+ 52
Pelle	1851	+ 46	Yokohama	810	+ 23
Tandem Comput	104	+ 14			

New York prices at 1950

Alcoa	38.94	+ 14	Transfer Tech	534	+ 21
Bath Mountain	10	+ 4	Western	221	+ 7
Chrysler	48.6	+ 24	Pelle	1851	+ 46
Orion Motor	44.3	+ 14	Cyber Com	48	+ 3
Norwood Mining	59.4	+ 14	Edmond Hlps	15	+ 44
Pelle	1851	+ 46	Grey's SW Pl	38	+ 194
Tandem Comput	104	+ 14	Kodak Int	184	+ 7
Alcoa	38.94	+ 14	McKay Sls	115	+ 24
Bath Mountain	10	+ 4	New London	74	+ 6
Chrysler	48.6	+ 24	P & P	203	+ 12
Orion Motor	44.3	+ 14	Tamara Luf	18	+ 3
Norwood Mining	59.4	+ 14			
Pelle	1851	+ 46			
Tandem Comput	104	+ 14			

Merged German group in DM320m deficit for first six months  
Krupp-Hoesch hit by steel losses



Gerhard Cromme: merger could save DM300m in steel division

By Ariane Genillard in Essen

KRUPP-HOESCH, the merged German steel and engineering group, continued its downward slide in the first six months of the year, recording a DM320m (\$189.3m) loss.

The company's poor results were blamed on heavy operating losses and reorganisation costs in its steel division.

These are the first consolidated figures for the new company created when Krupp and Hoesch, the second and third-largest steel producers in Germany, merged in the middle of last year. The merger was formally approved by shareholders in May this year. The first-half loss compares

with an aggregate deficit for the two groups of DM250m for the whole of 1992, down DM683m compared with 1991. In the steel division alone, the two groups recorded an aggregate loss of DM450m in 1992.

Orders for the first six months fell by between 10 and 15 per cent. Besides the steel division, the mechanical engineering side was adversely affected, with orders falling by more than 25 per cent.

Mr Gerhard Cromme, chief executive, said the six months' losses came mainly from the steel division. Taken together, the company's other operations had broken even. These included machinery, buildings, automotive

parts and trading services.

He said Krupp-Hoesch would continue to record heavy losses in the second half - although lighter than those of the first six months - as drastic restructuring measures took effect.

An estimated 11,000 workers were expected to be made redundant this year, bringing total employment to less than 80,000, Mr Cromme said. In 1992, the two groups together cut 6,000 jobs.

The measures include closing the Rheinhafen steel mill in the Ruhr Valley, where 2,500 are employed. The plant is due to shut its doors on August 15.

Mr Cromme said the rationalisation and economies of scale associated with the merger would

save Krupp-Hoesch up to DM500m over the next few years. More than 70 per cent of the business areas of the two companies were related or comparable. In the steel division alone, the merger would save an estimated DM300m.

Mr Gerhard Jooss, financial director, said the company's total debt could rise to more than DM5bn by the end of the year, from its current DM4.7bn.

In 1992, aggregate sales for the two groups fell by around 9 per cent to DM23.2bn. Steel products and trading services together accounted for 50 per cent of turnover. Spare parts for the automotive industry represented 25 per cent.

Finnish group strengthens its hand outside Europe

Nokia moves to concentrate on telecoms

By Hugh Carnegie and Andrew Adonis in London

NOKIA, Europe's biggest manufacturer of cellular mobile telephones, moved yesterday to strengthen its position in the Far East and the US by buying out its partner in two joint ventures.

The purchases continue the Finnish group's efforts to focus on telecommunications and to

cal wholesale units in Finland to Oura, of the Netherlands, one of the world's largest electrical wholesale groups. The deal is understood to be worth \$23m.

"We have changed dramatically in the past few years towards being a telecommunications company and that will continue," said Mr Jorma Ollila, Nokia's chief executive.

The moves follow the completion by Nokia last week of the placement with international investors of 6m preference shares, which raised FM954m (\$173m) to help finance the group's shift away from television and other consumer electronics, which have suffered severe losses in recent years.

About half of Nokia's sales, which last year reached FM18.2bn, are now accounted for by telecoms. Strong growth in telephone system and mobile telephone sales enabled the group to return to profit in the first four months, despite continued heavy losses in consumer electronics which still make up about a third of group sales.

In the US, Nokia has a 20 per cent share of the cellular telephone manufacturing market, second to Motorola.

Nokia began making mobile phones in South Korea with Tandem in 1984 through a com-

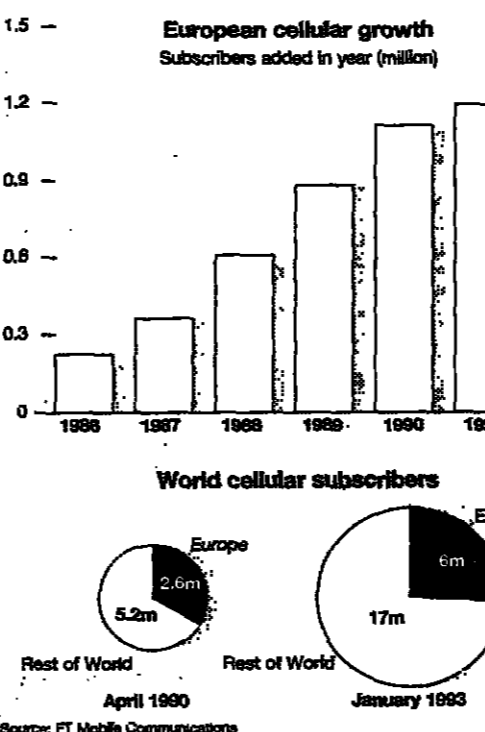
'We have changed towards being a telecoms company and that will continue' Jorma Ollila, Nokia chief executive

lessen its dependence on electronics.

Nokia has bought for \$31.5m the 50 per cent stakes held by Tandem Corporation, of the US, in two mobile telephone manufacturing joint ventures in South Korea and Texas.

It is also selling its two electri-

The rapid rise of mobile telecoms



pany called TMC which now produces 8 per cent of world cellular phone output. They repeated the formula last year in Fort Worth, Texas, with TNC.

However, Tandem's decision to pull out of manufacturing prompted Nokia to buy out its partner's shares. Mr Ollila said the ventures would continue to supply Tandem label telephones to Tandem retail outlets, which would continue to market Nokia label machines.

Nokia's SLO Tuusula in Finland, sold to Oura, accounts for

about one third of turnover in the group's cable and machinery division, which in turn makes up about 25 per cent of Nokia's overall turnover.

With the international market for mobile telecommunications booming, Nokia's decision to concentrate its resources in the field is unsurprising.

The number of subscribers to cellular networks worldwide rose by 43 per cent last year, taking it to 23m in January, according to the FT Mobile Communications newsletter.

Growth was driven by markets

in North America and south-east Asia, with subscriber numbers rising by 46 per cent in the US, 54 per cent in Australia, 56 per cent in South Korea and more than 400 per cent in China, where it still stands at less than 50,000.

Although last year saw a slowing of growth in Europe, Nokia's strongest market, momentum is likely to be regained this year with the introduction across the continent of new digital networks operating to the pan-European GSM standard, and competitively priced "low user" programmes geared to the consumer market.

Asprey to gain full listing as Sears sells 25% stake

By Richard Gourlay in London

SEARS, the UK retailer has sold its stake in Asprey, the jewellery group, for \$22m (\$138m) in a deal that will also allow the USM-quoted jeweller to graduate to the main market.

Separately, Sears said it would close its Dutch mail order business, Ter Muelen Post, having decided it could not be turned around.

Sears said Asprey was not central to its strategy, nor was it able to exercise control over its investment. The sale of the Asprey stake will produce a pre-tax profit of \$7m. The \$5.5m cost of closing Ter Muelen, includes \$1.8m in operating losses to June this year, redundancy costs and asset write-offs.

Smith New Court is understood to have placed the 20.3m ordinary Asprey shares, representing a

25.38 per cent stake, with about 40 institutions at 26p after taking the stock on to its books in a bought deal. Collins Stewart converted Sears' preference shares to net 8.25 per cent preference shares which were also placed with institutions.

The wider share distribution will allow Asprey, capitalised at £230m, to achieve a full listing. Mr John Asprey and family trusts increased their stake to nearly 52 per cent through the purchase of 1.1m additional shares yesterday.

Mr Naim Attallah, Asprey chief executive, said the group would now concentrate on growing organically. Since taking control in 1988, Attallah has led an expansion that included the 1990 purchase of the Mappin & Webb and Garrard shops from Sears for preference shares, and Watches of Switzerland from Ratners. "It

is a time for consolidation, although we are planning to open Mappin & Webb in Prague and probably in Shanghai," he said.

Asprey reported a pre-tax profit in the year to end-March of \$21.63m (\$13.35m) on sales up 36 per cent at \$144.72m. Some £23m of this arose from sales in acquired companies.

Earnings per share fell from 15.14p to 14.44p and the group is to pay a final dividend of 4p (3.75p) giving a total for the year of 5.1p (4.85p). Asprey said earnings had suffered from the return to a normal tax charge and margin erosion.

Mr Ken Taylor, Smith New Court sales director, said that before yesterday's share placing Asprey had not had a serious institutional following. The Sears' sale had increased the free float in the shares by 200 per cent.

Postel rescues property group

By Vanessa Houlder, Property Correspondent in London

POSTEL, the UK's largest pension fund, yesterday announced plans for a £120m (\$180m) rescue package for Greycoat which will give it up to 87.7 per cent of the troubled property company. The proposals underline the increased enthusiasm for UK commercial property among institutions, which consider that property offers good value as the market stabilises.

"We are getting a geared interest in a top quality portfolio when the market is turning," said Mr Alastair Ross Goobey, chief executive of Postel.

Postel justified the unusual step of taking a large stake in a

single company by pointing to its expertise in property, which accounts for £23bn of its £20bn assets under management.

The deal may give Greycoat a new lease of life as a developer. The decline in property values has plunged it into financial difficulties, which will force it into administration unless it succeeds in a refinancing.

Analysts were divided yesterday on whether Postel was picking up a bargain. "This is a backdoor takeover by Postel at the expense of bondholders and shareholders," one said. Others emphasised that Greycoat would remain a highly geared company, and that Postel was risking a setback in the property market. Greycoat, which owns property worth about £500m, indicated

yesterday that it had net assets of at least £80m.

In a complex deal, Postel is underwriting a £58.9m rights issue of ordinary shares at 12.5p and a £6.25m preference rights issue. Greycoat is also placing £4.5m of shares with Postel and issuing it with warrants. The proposals involve sacrifices by bondholders, preference shareholders and ordinary shareholders.

Postel, which owns 5.4 per cent of Greycoat, will increase its stake to between 27.2 per cent and 87.7 per cent, depending on the take-up of the rights issue, although it intends to dispose of enough shares to allow Greycoat to keep its listing. Mr Ross Goobey and another Postel director will join Greycoat's board. Lex, Page 14; Details, Page 20

Ashton Mining floats gold interests

By Bruce Jacques in Sydney

ASHTON Mining, the Australian diamond miner, plans to swell the nation's heavy schedule of private equity raisings with the \$5112m (\$578m) flotation of its gold production interests.

Ashton directors announced yesterday the company would consolidate its Australian and Indonesian gold interests into a company called Aurora Gold, and initially make a placement to institutional shareholders.

Private investors would then be offered 25 per cent of the placement shares, with Ashton retaining a 30 per cent stake in Aurora, which would potentially rank among the top 10 Australian gold producers.

Ashton, 47 per cent controlled by Malaysian Mining Corporation, is a partner in the Argyle diamond mine in Western Australia.

Ironically, the company appeared to be moving its investment strategy away from gold as recently as March this year.

At that time, directors said the company would focus on opportunities in the diamond sector and place its Mount Muro gold mine in Indonesia out to tender. But that was when the gold price was languishing at around \$327 an ounce.

Since then, the price has strengthened by around 20 per cent, prompting a minor rush by investors for Australian gold stocks.

The gold price jump was seen by analysts last night as the main factor prompting Ashton's change of heart.

Assets likely to be offered in the Aurora float include Mt Muro and interests in the Laverton, Harbour Lights and Bardoc properties in Western Australia.

Ashton's share of gold production from these properties rose from 131,465 oz to 135,307 oz in the past year.

Mt Muro has the potential to produce around 150,000 oz a year.

Ashton shares yesterday closed 6 cents higher at \$32.22 on Australian stock exchanges.

Its directors said yesterday that terms of the institutional offer were being finalised. Documentation was expected to be signed on July 8.

The institutional placement of Aurora shares will be underwritten by Ord Minnett, the Australian stockbroker.

This announcement appears as a matter of record only

TRACKER  
NETWORK PLC

(whose shares are quoted under rule 535.2 of the London Stock Exchange)

£8.09 million

raised by private placing

Placing arranged and sponsored by

Williams de Broë

Management advised by

IBDO  
BINDER  
HAMLYN

Corporate Finance

Solicitors to the Company and to the placing

THEODORE  
GODDARD

USA lawyers to the Company

GOTTESMAN JONES & PARTNERS

## INTERNATIONAL COMPANIES AND FINANCE

## KHD puts pressure on suppliers to cut costs

By Christopher Parkes  
in Frankfurt

KLOCKNER-Humboldt-Deutz, the Cologne-based engineering group, is to adopt the Volkswagen group's cost-cutting techniques in an attempt to restore growth.

The company said yesterday that it expected to break even this year for the second year in succession despite a slow first half. But capacity and costs had to be reduced further.

All expenditure would have to be cut, including spending on materials, fixed and personnel costs and interest payments. However, most effort would be focused on significantly lowering procurement costs.

Outside suppliers were expected to accept the necessary changes and use the opportunities for greater co-operation with KHD, the company said.

The group's plans, which include the loss of 2,000 jobs, will be spelt out in greater

detail at the end of next month.

They appear to match closely the projects under way at VW, where protesting suppliers have been asked for price cuts of up to 30 per cent.

Mr Werner Kirchgässer, chairman, warned of impending action last month when he said sales for the first five months of the year were down 21 per cent and incoming orders were 25 per cent lower than a year earlier.

The company said no improvement in its main markets could be expected in the near future, adding that current difficulties were likely to persist into 1994.

As well as feeling the effects of industrial recession, KHD has been badly affected by cuts in the European Community's spending on agriculture, which have hit sales of tractors and other agricultural equipment.

KHD made its last dividend payment in 1986 and is not expected to resume pay-outs

until 1996 at the earliest.

Group earnings at Commerzbank, Germany's third-largest bank, rose by 15 per cent in the first five months of the year, Mr Martin Kohlhaussen, the bank's chief executive, said yesterday, writes David Waller in Frankfurt.

However, partial operating profits - excluding own-account trading profits - remained unchanged compared with the same period last year.

The chairman's remarks amplified his observation last month that there had been a "double-digit" increase in profits between January and May.

He explained that the growth came largely from own-account trading in foreign exchange and securities.

The unchanged operating profits reflected an 8 per cent increase in administrative costs as well as reduced credit demand from Germany's recession-weakened industrial sector.

## Granada lifts LWT stake to near 20%

By Raymond Snoddy  
in London

GRANADA, the UK leisure, television and computer services group, yesterday increased its stake in London Weekend Television to just under 20 per cent, the maximum possible under broadcasting legislation.

The deal means Mr Gerry Robinson, Granada chief executive, has invested around £84m (£126m), at £5 a share, in the weekend television station stake.

The completion of the deal - it was always Granada's intention to take its investment up to the maximum - came a day before talks between Mr Robinson and Sir Christopher Blundell, LWT chief executive.

The two will explore co-operation and cost savings between the two companies.

"We just want to see where we go from here," said Mr Robinson.

Under the 1990 Broadcasting Act, the nine largest ITV companies, including Granada and LWT, are forbidden from taking each other over.

The National Heritage Department, following a meeting with the chairman of the ITV companies, is considering the case for a relaxation of the rules, but it is not yet clear whether the government has decided to make such a move.

A number of ITV companies, mainly potential takeover targets such as HTV and Anglia, are opposed to a relaxation of the rules.

Granada's increased stake in LWT has galvanised the London financial community. The shares of a number of ITV companies have risen on the back of takeover speculation.

Sir Christopher and Mr Robinson last night rejected any notion that today's talks might include even exploratory conversations on a future merger. "You can't agree a non-bid and we don't intend to," said the LWT chairman.

Granada believes that a rationalisation of the ITV ownership structure is inevitable.

## Snia, Rhône-Poulenc in new link-up

By Paul Abrahams in London  
and Haig Simonian in Milan

SNIA FIBRE of Italy and Rhône-Poulenc of France yesterday announced plans to merge their textile nylon businesses, continuing the restructuring of the European fibres industry.

The deal, if concluded, would create Europe's largest textile yarn manufacturer, with annual sales of about FF2.6bn (\$400m). It follows Du Pont's acquisition of ICI's fibres operations, which was completed last week.

Snia and Rhône-Poulenc already have a carpet fibre joint venture which is the

second-largest European manufacturer.

In the latest venture, Snia claims to have 17 per cent of the west European market, while Rhône-Poulenc is to contribute about 30 per cent. The 50-50 joint venture will have a capacity of about 100,000 tonnes a year.

Although west European capacity is more than 350,000 tonnes a year, demand is only 240,000 tonnes, according to the Committee of Rayon and Synthetic Filament.

The French company said it did not expect difficulties from competition authorities, because Europe had to be able to compete against Asian man-

ufacturers. Du Pont has about 25 per cent of a market which is growing at only 2 per cent a year because of competition from other fibres such as polyester. Radici of Italy is the third-largest manufacturer.

The consolidation will put pressure on the remaining small manufacturers in Italy, Spain and Germany. Mr Robin Anson, of Textiles Intelligence, the market research group, said the deal would allow some rationalisation of the two groups' activities.

"Integrating our respective nylon textile activities will allow us to optimise synergies in research, production and marketing, with the aim of

reinforcing our position in the European market," said Mr Michel de Rosen, managing director of Rhône-Poulenc fibres operations.

Rhône-Poulenc said the two businesses, which employ about 3,000 people, were complementary. Snia was strong in nylon 6 and had considered building a plant to make nylon 66. This is where the French company is strongest. Snia's operations are mainly in Italy, while Rhône-Poulenc's are in Germany and France.

The French group's fibre operations in Brazil and Slovakia are not included in the deal.

## Venture capital group finds little demand for funds

By Charles Batchelor  
in London

BRITAIN'S largest venture capital company, has nearly £1bn (\$1.5bn) available for investment, but despite an upturn in activity has yet to experience a surge in demand for funds.

A turnaround in performance in the second half saw pre-tax profits increase 39 per cent to £56m for the year to March, the company announced yesterday.

This included an £8m exceptional gain in the form of interest on a £22m tax rebate.

Sales and floatations boosted profits from disposals to £115m from £98m.

But provisions increased sharply from £51m to £171m, including a £72m write-off of the stake in Isosceles, the parent of Gateway supermarkets. A further £88m was written off on UK investments and £30m on those overseas.

3i made 644 investments worth £310m compared with 822 investments worth £415m the year before.

A further £2m of revenues was earned in the form of interest earnings on a tax overpayment made in a previous year.

It strengthened its balance sheet, reduced its borrowings and achieved a £200m improvement in its cash flow position during the year, Mr Ewen Macpherson, chief executive, said.

Operating costs had been reduced by staff cuts and a streamlining of its regional office network. 3i increased its share of the market for smaller company finance from 45 to 48 per cent.

Dividend earnings from investments rose 14 per cent to £39m while interest earnings fell 6 per cent to £118m, reflecting generally lower interest rates. Fees and other earnings, including the £8m of

interest on the tax overpayment, increased 21 per cent to £25m.

Net assets rose by 4.7 per cent to £1.33bn over the year after falling by 6.4 per cent during the first half. Net assets per share advanced by 4.6 per cent to 563p.

Earnings per share grew 16 per cent to 15.8p. A final dividend of 8.2p makes a total of 11.5p, an increase of 5.5 per cent.

3i is expected to announce at its annual meeting on July 29 that Sir George Russell, chairman and chief executive of Marley, the building materials group, is to become its new chairman. Sir George is a non-executive director.

The previous chairman, Mr Alan Wheatley, resigned in April when the company announced it had indefinitely postponed plans for a flotation.

## Time out for Benetton game plan

The sports side may not be ready for investors, writes Haig Simonian

ITALY'S Benetton family may be having second thoughts about pressing ahead with the planned flotation of its growing sports activities on the New York Stock Exchange, in spite of the successful example set by the Fila sports group in May.

Fila, best-known in Italy for its up-market sports clothing and, in the US, for its footwear, listed 30 per cent of its ordinary shares on the Big Board in a deal which raised about \$188m for the company, the Fiat-controlled investment group which owns it.

Some bankers believed Benetton Sportssystem, the holding company established this year for the family's bulging sports portfolio, might have followed the lead and been floated before Christmas.

However, signs now are that the Benettons, who over the past three years have quietly acquired 10 leading sports equipment companies through their Edizione Holding master company, may have pushed back their ambitions.

The group, which includes familiar brands such as Prince tennis racquets and Nordica ski boots, "still needs to be simplified," says one banker familiar with the company. "They need to talk to US investors, and there are still tax implications to be worked out."

However, the Benettons have started to spread the word. At

a penthouse showroom in New York's Fifth Avenue earlier this year, they displayed together for the first time their full range of brands.

The target is to make Benetton Sportssystem one of the world's top five sports groups by 1995. By then, sales should exceed \$1bn, putting it just behind Nike, Reebok, Adidas and Mizuno of Japan.

Benetton's strategy began in the late 1980s, when the fragmented sports equipment industry was identified as offering potential for growth through consolidation. The sector fitted in with the Benettons' experience in manufacturing and retailing and coincided with the family's relaxed, unfussy and vaguely "green" business image.

The takeovers started with Italy's Nordica in May 1989. This year, the group reached its first goal of assembling an adequate portfolio of sports brands. "We have products for sports from January 1 to December 31, meaning we are no longer dependent on one season," says Mr Silvano Storero, joint managing director of Benetton Sportssystem.

Other criteria - buying brands which were internationally known and among the leaders in their sectors, and in sports showing rising demand - have also been met, he says.

With the acquisition phase complete, attention has shifted

to rationalising manufacturing and distribution to save money in production, marketing and distribution.

Rollerblade's in-line roller skates show different parts of the group working together to improve quality and lower costs. Buyers remark that the boot section of the skates look increasingly like sophisticated ski boots.

The change reflects Nordica's influence. About 30 per cent of Rollerblade's boots are now made at Nordica's plant in north-eastern Italy, and the proportion is expected to reach 70 per cent eventually. "The two products meet broadly similar physical requirements. Nordica's experience in the ski boot market gave it an edge in designing and choosing materials for in-line roller skates, especially for comfort and strength," says Mr Storero.

The link has helped Rollerblade, which virtually invented in-line roller skates, to survive the "boom-and-bust" cycle facing many innovative companies which surfer on new products but then decline as competition sharpens.

But it is sports footwear and clothing which will need the greatest attention if Benetton Sportssystem is to realise its growth ambitions. "There are a limited number of consumers for each of our sports, but

many more for related clothing," says Mr Storero. "To have annual sales of over \$1bn, shoes and clothing would probably have to account for at least half."

To get there, Sportssystem will have to combine skills and resources in its component companies in much the same way as is already happening with Nordica and Rollerblade.

The Benettons have created a new subsidiary, N & Co, to co-ordinate clothes manufacturing. Tennis fans will still have Prince apparel to match their racquets, but production will be co-ordinated by N & Co. Costs will be cut by farming out manufacturing to eastern Asia.

A similar strategy is planned for footwear. The aim is to rationalise individual ranges, while preserving brand identities, to create a shoe selection spanning products for tennis and jogging to those used for hiking and mountaineering.

The group also sees scope for improving marketing and distribution by combining sales forces. At present, each brand has its own sales and distribution. The aim is to reduce that to just one network for all the brands.

Rationalisation is already under way. Nordica has signed an agreement to distribute Rollerblade products in Europe and Japan, the areas where its sales force is strongest.

## SCHRODER JAPANESE WARRANT FUND LIMITED

## NOTICE AND AGENDA

NOTICE is hereby given that the Third Annual General Meeting of Schroder Japanese Warrant Fund Limited will be held at 10.30 a.m. on Friday 23rd July, 1993 at Barfield House, St Julian's Avenue, St. Peter Port, Guernsey, Channel Islands for the purpose of considering and, if thought fit, passing the following resolutions:

1. That the Report of the Directors and the Accounts be adopted.
2. That Mr. M. Smith be re-elected to the Board of Directors.
3. That Coopers & Lybrand be reappointed as Auditors of the Company.
4. That the Board be authorised to agree with the Auditors a sum to cover their remuneration.

Registered Office:  
Barfield House, St. Julian's Avenue  
St. Peter Port  
Guernsey  
JE9 1P3

By Order of the Board  
Schroder Investment Management (Guernsey) Limited  
Secretary

## NOTES

1. A member of the Company entitled to attend and vote may appoint a proxy or proxies to attend and on a poll to vote in his stead. A proxy need not be a member of the Company.
2. In accordance with the requirements of The Stock Exchange, London, a statement of all transactions of each Director and of his family interests in the shares of the Company will be available for inspection at the registered office of the Company during normal business hours from the date of this notice to the conclusion of the Meeting. None of the Directors has a contract of service with the Company.
3. VOTING ARRANGEMENTS FOR IDRs-HOLDERS  
IDR-Holders who wish to vote must follow the following procedure:  
If the IDRs are held in an account with Euroclear or Cedeo, IDR-Holders must contact Euroclear or Cedeo instructing them to block the IDRs in the IDR-Holder's account until conclusion of the meeting and specify the manner in which the votes attributable to the IDRs should be cast.  
If the IDRs are not held in Euroclear or Cedeo, IDR-Holders must ensure that their voting instructions, together with either their IDRs or their bank's confirmation of deposit (including IDRs serial numbers), reach the Depository at the latest on 19th July, 1993 at the address given below (attention Securities Department) - telephone 33.2.518.84.49 - telex 21752 MORBKS S.  
Copies of the Annual Report are available from the Depository at the address indicated below.  
Depository: Morgan Guaranty Trust Company of New York  
35, Avenue des Arts, 1140 Brussels.

## UNIGESCO INC.

7½% Convertible Debentures due June 16, 1997  
(the "Debentures")

NOTICE IS HEREBY GIVEN that the holders of Debentures of Unigesco Inc. have approved at an adjourned meeting of said holders held on June 25, 1993 in Montreal, Quebec, the amendments to the Extraordinary Resolution submitted at said adjourned meeting.

NOTICE IS ALSO HEREBY GIVEN that, pursuant to Section 4.02 of the Paying and Conversion Agency Agreement entered into between Unigesco Inc., General Trust of Canada, the Paying Agent and the Paying Agents, on June 16, 1987, payments in respect of the Debentures and coupons have been received by the Principal Paying Agent and are available to the Debentureholders on July 7, 1993.

Holders of Debentures who have chosen Option A, upon surrender of their Debentures together with the coupon matured on June 16, 1993 to anyone of the Paying Agents, will receive the following:

- (i) all accrued interest up to June 16, 1993 on the Debentures;
- (ii) 15.75% of the principal amount of the Debentures; and
- (iii) 10% of the principal amount of the Debentures; and
- (iv) interest from June 16, 1993 up to July 2, 1993 calculated at a rate of 9% per annum on the amount to which reference is made in (i), (ii) and (iii) above.

Holders of Debentures who have chosen Option B, upon surrender of the coupon matured on June 16, 1993 to anyone of the Paying Agents, will receive the following:

- (i) all accrued interest up to June 16, 1993 on the Debentures; and
- (ii) interest from June 16, 1993 up to July 2, 1993 calculated at the rate of 10% per annum on the amount to which reference is made in (i) above.

With respect to Debentures surrendered by Debentureholders who have chosen Option A, the Paying Agents shall make a notation on an endorsement on the Debentures so surrendered, whereupon the principal amount thereof shall be reduced for all purposes by the amount so noted or endorsed, and the Debentures so noted or endorsed shall be returned to the bearer thereof.

BANQUE PARIBAS LUXEMBOURG, as Principal Paying Agent

The names of the Paying Agents and their specified offices are as follows:

Banque Paribas Luxembourg  
10A boulevard Royal  
Luxembourg-Ville  
LUXEMBOURG

Kreditbank N.V.  
7th Floor, Exchange House  
Prinsesse Street  
LONDON EC2A 2EQ

Swiss Bank Corporation  
Aeschenvorstadt 1  
CH-1002 BASEL

Kreditbank N.V.  
Arenbergstraat 7  
B-1000 BRUSSELS

Banque Paribas  
3, rue d'Antin  
F-75002 PARIS

National Bank of Canada  
at any of its branches  
in CANADA

## BCN BARCLAYS BANCO DE INVESTIMENTO S.A.

US \$30,000,000.00  
Floating Rate Commercial  
Paper Notes Due 1994

Interest rate 4.00% p.a. Interest  
Period 25th June, 1993 to 25th  
December, 1993. Interest Payable  
US \$2,033.33 per US \$100,000  
on 25th December, 1993.

By: Barclays Bank PLC  
Agent Bank

## EUROPEAN COAL AND STEEL COMMUNITY

FFR 300,000,000 FFW due 2012

Notice is hereby given that the rate of interest for the period from July 1st, 1993 to October 31st, 1993 has been fixed at 6.75% per annum. The coupon amounts due for this period are FFR 172.08 per denomination of FFR 10,000 and FFR 1,720.80 per denomination of FFR 100,000 and are payable on the interest payment date October 31st, 1993.

The Fiscal Agent  
Banque Nationale de Paris  
(Luxembourg) S.A.

## FT COMMENT TRAVELS THE WORLD

## CONTRACTS &amp; TENDERS

TENDER CIVIL ENGINEERING WORKS  
25000 MT REFINED SUGAR CONDITIONAL TOWER  
FOR THE SWAZILAND SUGAR ASSOCIATION  
CONTRACT NO: 4914

Tenders are hereby invited for the construction of a 25000 MT refined sugar conditioning tower at Umobho Ranches sugar mill, located in Big Bend, Swaziland. Tenders will be open at least to firms from EC Member States and from ACP Countries.

This civil engineering contract will be for the construction of a prestressed concrete structure approximately 60m high, 30m diameter including a services shaft and structural steel supported roof, operating floor and stairs.

The concrete hopper floor includes multiple hexagonal hoppers supported by a flat slab and basement columns on a circular raft foundation.

The mechanical and electrical work will be carried out under separate contract.

The anticipated contract period is September 1993 to July 1994 inclusive.

Tender documents will be obtainable as from 13 July 1993 against a non-refundable tender deposit from the offices of:-

The Swaziland Sugar Association  
4th Floor, Barclays Bank Building  
Allister Miller Street  
MEABANE  
SWAZILAND  
Tel: 2684264/67  
Fax: 26845005

AND

The Swaziland Sugar Association  
Chancery House  
53/64 Chancery Lane  
LONDON  
WC2A 1QQ  
Tel: 071 242 2349  
Fax: 071 405 0656

Deposit: £100.00

The closing date for tenders is 24 August 1993.

Sealed tenders, on the prescribed tender form, indicating clearly the tender number and title, addressed to The Swaziland Sugar Association, PO Box 445, Mbabane, Swaziland will be accepted up to 1200h on 24 August 1993.

Documents delivered by hand shall be deposited in the tender box situated in the Swaziland Sugar Association's offices at 4th Floor, Barclays Bank Building, Allister Miller Street, Mbabane, Swaziland by the time and date mentioned above, where tenders will be publicly opened.

A compulsory Site Inspection will be held on site at 0900h on 27 July 1993, commencing from the main entrance at Umobho Ranches Sugar Mill at Big Bend, Swaziland.

Tenders submitted late or by telegram, telex or facsimile will not be accepted.

The Swaziland Sugar Association will consider as successful Tenderer the most advantageous bid taking into consideration price, delivery time and conformity to the specification of the Bill of Materials.

## LEGAL NOTICES

## THE SWAZILAND SUGAR ASSOCIATION

NOTICE IS HEREBY GIVEN pursuant to Section 86 of the Companies Act 1980, that a meeting of the Shareholders of the Swaziland Sugar Association, Limited, shall be held at the offices of the Secretary, 4th Floor, Barclays Bank Building, Allister Miller Street, Mbabane, Swaziland, on 24 August 1993 at 10.30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

A list of the names and addresses of the Company's Shareholders entitled to attend and vote at the meeting is being sent to the Shareholders in a separate document. A copy of the report prepared by the Shareholders' Representative Committee under section 48 of the Act, and a copy of the minutes of the last meeting, will be made available to the Shareholders on request.

Shareholders are only entitled to vote if:

- (i) they have delivered to us at the address above, no later than 1200 hours on the business day before the meeting, written details of the shares they claim to be due, and the claim has been duly identified under the provisions of the Companies Act 1980 and
- (ii) there has been lodged with us any proxy which the shareholder intends to use on his behalf.

Dated this 24th day of June 1993  
A. M. MURPHY, Secretary

## CONCORDE TOYS LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 48(2) of the Companies Act 1980, that a meeting of the Shareholders of the above-named company will be held at 10.30 a.m. on 24 August 1993 at the offices of the Secretary, 4th Floor, Barclays Bank Building, Allister Miller Street, Mbabane, Swaziland, for the purpose of considering and, if thought fit, passing the following resolutions:

A list of the names and addresses of the Company's Shareholders entitled to attend and vote at the meeting is being sent to the Shareholders in a separate document. A copy of the report prepared by the Shareholders' Representative Committee under section 48 of the Act, and a copy of the minutes of the last meeting, will be made available to the Shareholders on request.

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- (i) they have delivered to us at the address above, no later than 1200 hours on the business day before the meeting, written details of the shares they claim to be due, and the claim has been duly identified under the provisions of the Companies Act 1980 and
- (ii) there has been lodged with us any proxy which the shareholder intends to use on his behalf.

Dated this 24th day of June 1993  
A. M. MURPHY, Secretary

## PERSONAL

PUBLIC SPEAKING Training and speech-writing by award winning speaker. First lesson free. Tel: (0772) 861 158

## NOTICE OF CHANGE OF DISBURSEMENT AGENT

BANCO SUMITOMO BRASILEIRO S.A.  
U.S.\$50,000,000 EURO MEDIUM-TERM NOTE PROGRAMME

Notice is hereby given to the holders of Notes issued by Banco Sumitomo Brasileiro S.A. under its U.S.\$50,000,000 Euro Medium-Term Note Programme (the "Programme") that with effect from 25th June, 1993, Sumitomo Bank of New York Trust Company resigned, and The Sumitomo Bank, Limited was appointed, as Disbursement Agent in relation to each Series of Notes to be issued under the Programme after the date of such resignation and appointment. Sumitomo Bank of New York Trust Company remains the Disbursement Agent in relation to the first Series of Notes issued under the Programme and remains the Registrar and Calculation Agent and a Transfer Agent in relation to such Series of Notes and any future Series terminated, or it resigns, in accordance with the Terms and Conditions of any Notes issued under the Programme.

Banco Sumitomo Brasileiro S.A.  
Avenida Paulista, 149  
São Paulo, SP  
Brazil

## Carrefour

SALES, TAXES INCLUDED AS AT JUNE 30, 1993

	June 1993 (in FF millions)	% June 93/ June 92	6 months ended June 30, 1993 (in FF millions)	% June 93/June 92
GROUP SALES	11,154	18.4	64,925	4.7
FRANCE	7,543.10	8.3	43,786	6.7

(1) Sales provided by 116 stores compared to 119 at June 30, 1992 due to the disposal of some Eurocash stores.

Carrefour Argentina  
On July 1, 1993, Carrefour became the sole shareholder in Carrefour Argentina by acquiring Perez. Company's 20% minority interest in this subsidiary.

Store openings  
In Spain, Pyca opened two new stores in June: a 195,000 sq. ft. store in Xivella, Valencia, and a 120,000 sq. ft. store in Monesterio, Valladolid. On June 30, Carrefour opened its first Italian store in Monaco, near Venice (85,000 sq. ft.).

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## INTERNATIONAL COMPANIES AND FINANCE

## AMD lifts profits and sales in second quarter

By Louise Kehoe  
in San Francisco

ADVANCED Micro Devices reported a rise in sales and earnings for the second quarter and said it had introduced its version of the Intel 486 microprocessor widely used in personal computers.

Net income was \$64.4m, before payment of preferred stock dividends, an increase of 55 per cent over last year's second quarter when net earnings were \$41.4m. Sales advanced to \$409.1m, up from \$350.2m in the same period last year.

After the preferred dividend, net income per common share was 65 cents, up from 43 cents.

AMD was lifted during the year by sales of its clones of Intel microprocessors. However, the company said that during the second quarter sales of its other products grew by nearly 14 per cent over the previous quarter.

Sales of flash memory chips, used in portable computers as an alternative to disk drives for data storage, increased by almost 60 per cent, the company added.

This more than offset a decline in sales of AMD's 386 microprocessors, said Mr Rich-



W.J. Sanders: 'announcement a milestone for AMD'

ard Sanders, president and chief operating officer.

"Our 386 microprocessor business reflected the market shift toward 486-based personal computers," he added. "Revenues from 386 microprocessors declined in a softer market with lower average selling prices."

AMD began shipping 486 microprocessors during the second quarter, and said it expected sharply increased sales in the current quarter. "The Am486 family will be a significant contributor to reve-

nues in the current quarter," Mr Sanders said.

AMD announced its first 486 microprocessors incorporating in-house developed microcode. Microcode is internal software that controls the functions of a microprocessor.

Previously, AMD has offered 486 microprocessors using Intel microcode.

The company is engaged in a legal battle with Intel over its rights to the Intel technology. AMD charges that Intel has tried to prevent competition in the microprocessor market.

"With today's announcement, AMD has achieved a milestone that assures the continuation of free-market economics in the IBM-compatible personal computer marketplace," said Mr W.J. Sanders III, chairman and chief executive.

For the first six months of 1993, AMD reported net income of \$126.8m before the preferred stock dividend, or \$1.28 per common share after the dividend.

Revenues were \$816.5m. In the same period of 1992, it recorded net income of \$126.3m or \$1.33 per common share after the dividend. Sales amounted to \$757.6m.

## Dutch bank increases presence in Chicago

By Martin Dickson  
in New York

ABN Amro, the Dutch banking group, announced yesterday it was to increase its presence in the Chicago retail banking market through the acquisition of Cragin Financial Corp for about \$500m in cash.

Cragin is the holding company for Cragin Federal Bank for Savings, which is the second largest independent savings bank in Illinois, with assets of \$2.8bn and 27 offices in the Chicago area.

It will be integrated with ABN Amro's Chicago-based group of LaSalle banks, which has assets of over \$16bn in more than 40 offices.

LaSalle, a significant presence in the middle market for commercial loans, increased its retail presence around Chicago when it acquired the Fairman savings and loans group in February 1992.

LaSalle said yesterday that the Cragin group of banks had the same product lines as Fairman and offered a good geographical fit with the earlier acquisition.

Cragin's offices are mainly on Chicago's north-west side and in the western and north-western suburbs.

ABN Amro's other US operations, with assets of about \$40bn, include lending to large corporations and EAB, a retail banking business based in New York.

The Cragin deal, which is expected to close early next year, involves payment of \$38 a share to the holders of Cragin's approximately 13m shares.

Shares in the holding company for Cragin Federal Bank for Savings were up 9% at \$35 at midday after peaking at \$36, a new high for the year.

Stet, the holding company which controls Italy's public sector telecommunications activities, is selling a 20 per cent share in Stet Hellas Telecommunications, its recently-created Greek subsidiary, to the US Nyx group. Stet gave an indication of the value of the sale.

## Northwest agrees deal with pilots

By Karen Zagar  
in New York

NORTHWEST AIRLINES, the debt-burdened US carrier which is integrating its operations with those of KLM Royal Dutch Airlines, yesterday struck a bankruptcy filing by reaching an agreement with its pilots' union.

The agreement, covering new contract terms and cost reductions, is a breakthrough for the carrier.

In order for Northwest to remain viable outside the protection of the bankruptcy court, it needs significant labour concessions.

Although the airline did not spell out details of its agreement yesterday, the deal is believed to include savings of about \$86m from the pilots' group.

This is in keeping with Northwest's plan, announced last year, to cut labour costs by \$88m over three years.

The airline's earlier offer to give employees a 30 per cent stake in the airline and three of its 15 board seats in exchange for pay concessions may have changed.

The pact was approved overwhelmingly by leaders of Northwest's Air Line Pilots Association (ALPA) and no fur-

ther vote is necessary by the union.

The carrier still needs to reach revised agreements with its two other main unions - the International Brotherhood of Teamsters, representing flight attendants, and the International Association of Machinists.

In May, Northwest reached agreements in principle with both groups, but the Teamsters halted a vote on their pact after members of the machinists' union voted against the deal.

The airline had some success in rescheduling its loan repayments, reducing payments fall-

ing due in the next few years. Last week, the airline's banks approved a plan to defer most of the payments on a \$1.29bn loan until 1997.

Northwest is struggling under the burden of debt acquired when the airline was taken private in a \$3.65bn leveraged buy-out in 1989.

Dire industry conditions have added to the carrier's woes. Northwest hopes to reach a voluntary restructuring agreement rather than reorganising while operating under Chapter 11 of the bankruptcy code.

Since 1990, five big US carriers have entered Chapter 11.

## Argentine group raises \$200m to cut debt

By John Barham  
in Buenos Aires

SOCIEDAD Comercial del Plata, a Buenos Aires-based holding company, plans to raise about \$200m in a combined disposal of assets and international rights issue in order to reduce its heavy debt burden.

SCP, like other large Argentine holding companies, has grown rapidly over the past three years by buying privatised companies.

However, in the process

SCP has built up \$300m in debts as it has acquired minority stakes in energy companies and utilities.

SCP has sold for \$112.5m its 5 per cent stake in Cointel, a vehicle that controls one of Argentina's two privatised telephone companies, to Cointel's operator, Telefonica de Spain.

SCP also plans to raise \$80m in a local and international rights issue and a further \$4.6m through a smaller asset sale.

Other Argentine conglomerates are reorganising and shuf-

fling stakes in utilities between each other as Argentina's privatisation programme winds down.

In part, this is due to new corporate strategies and to the need to reduce debt. In SCP's case, debt was equivalent to its 1992 turnover of \$310.6m.

SCP's stake in Cointel has proved highly profitable, growing in value by more than 500 per cent since privatisation in November 1990.

However, SCP will retain its 25 per cent holding of preferred stock in Telefonica de Argen-

tina, the telephone company which is controlled by Cointel.

SCP said that as well as strengthening its balance sheet and reaping a substantial profit from Cointel, it wanted to concentrate resources in investments which enabled it to exercise some management control over companies.

Last week, the Citilec consortium, in which Sociedad Comercial and National Grid Company of the UK each have a 15 per cent stake, won a concession to run Argentina's electricity distribution system.

## NEWS IN BRIEF

## Videotron rises 91% to C\$22.1m

By Robert Gibbens in Montreal

VIDEOTRON of Canada, which is developing cable systems in southern England with Cable & Wireless and BCE, reported net profit of C\$22.1m (US\$17m), or 30 cents a share, for the nine months ended May 31, up 91 per cent from a year earlier, on sales of C\$448m, against C\$409m.

Videotron, Canada's second-biggest cable operator and owner of a Montreal TV station, attributed the gain to higher cable rates and growth in the subscriber base.

● Cogeco, a Canadian cable operator and broadcaster and newspaper publisher, earned C\$6.5m, or 35 cents a share, in

the nine months, up from C\$1.3m a year earlier, when after preferred dividends nothing was available for the common stock. Sales were C\$144m, up 9 per cent.

The company is raising C\$65m of new equity.

● Energie-Versorgung Niederösterreich (EVN), a leading Austrian energy utility, said revenues in the nine months to 31 May 1993 were up 4.8 per cent, writes Ian Rodger in Zurich.

Mr Rudolph Gruber, the chief executive, said the result provided a solid base for the full year.

Revenue from electricity sales was up 3.7 per cent, gas income was up 7.2 per cent and

heating sales gained 11.9 per cent. No figures were given.

In the first half, pre-tax profits jumped 12.1 per cent to Sch.1.2bn (\$105.3m) on revenues up 4.7 per cent to Sch.5.9bn.

● W.R. Grace, the US specialty chemicals and health care group, has elected Mr Richard Kinard to the new post of corporate vice-president responsible for engineering, Reuters reports.

Mr Kinard will head Grace's worldwide engineering staff and report to Mr F. Peter Boer, Grace's chief technical officer and executive vice-president.

Mr Kinard was director of engineering for Cryovac North America, Grace's core packaging business.

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Prices for securities admitted to the European Union (EU) and the European Free Trade Area (EFTA) by July 1, 1993			
ISIN	Code	Price	Yield
0000	0000	10.00	10.00
0001	0001	10.01	10.01
0002	0002	10.02	10.02
0003	0003	10.03	10.03
0004	0004	10.04	10.04
0005	0005	10.05	10.05
0006	0006	10.06	10.06
0007	0007	10.07	10.07
0008	0008	10.08	10.08
0009	0009	10.09	10.09
0010	0010	10.10	10.10
0011	0011	10.11	10.11
0012	0012	10.12	10.12
0013	0013	10.13	10.13
0014	0014	10.14	10.14
0015	0015	10.15	10.15
0016	0016	10.16	10.16
0017	0017	10.17	10.17
0018	0018	10.18	10.18
0019	0019	10.19	10.19
0020	0020	10.20	10.20
0021	0021	10.21	10.21
0022	0022	10.22	10.22
0023	0023	10.23	10.23
0024	0024	10.24	10.24
0025	0025	10.25	10.25
0026	0026	10.26	10.26
0027	0027	10.27	10.27
0028	0028	10.28	10.28
0029	0029	10.29	10.29
0030	0030	10.30	10.30
0031	0031	10.31	10.31
0032	0032	10.32	10.32
0033	0033	10.33	10.33
0034	0034	10.34	10.34
0035	0035	10.35	10.35
0036	0036	10.36	10.36
0037	0037	10.37	10.37
0038	0038	10.38	10.38
0039	0039	10.39	10.39
0040	0040	10.40	10.40
0041	0041	10.41	10.41
0042	0042	10.42	10.42
0043	0043	10.43	10.43
0044	0044	10.44	10.44
0045	0045	10.45	10.45
0046	0046	10.46	10.46
0047	0047	10.47	10.47
0048	0048	10.48	10.48
0049	0049	10.49	10.49
0050	0050	10.50	10.50

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## Hardy Oil &amp; Gas USA Inc.

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Senior Notes due 2003 guaranteed by

## Hardy Oil &amp; Gas plc

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## David S. Smith (Holdings) PLC

US\$100,000,000

Senior Notes due 2000

S.G. Warburg & Co. Inc. arranged  
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## FIRST QUARTERLY DIVIDEND 1993

The Board of Directors of Banco Bilbao Vizcaya has approved the payment of a first quarterly dividend for the financial year 1993 on all shares in issue, numbered 1 to 231,000,000 as follows:

Gross Dividend	Tax	Net Dividend
38 ptas	9.50 ptas	28.50 ptas

Date of payment: on or after 10th July 1993

Place of payment: At the Head Office and branches of Banco Bilbao Vizcaya or its subsidiaries.

## Compagnie Nationale Air France

FRF 600,000,000

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In accordance with the Terms and Conditions of the Series A Bonds, notice is hereby given that for the Interest Period from July 7, 1993 to July 7, 1994, the Series A Bonds will carry an interest rate of 6.46% per annum.



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## INTERNATIONAL COMPANIES AND FINANCE

## Gaylord hits the high notes with latest craze for country music

Martin Dickson reports from New York on the success and aspirations of an entertainment group devoted to the values of rural America

**C**RAZY as a 'coon. That, roughly speaking, was how much of the US television industry dismissed upstart Gaylord Entertainment in 1983 when it launched a cable network devoted to subjects which stir the soul of rural America - such as country music, drag car racing, pick-up trucks, down-home cooking and bass fishing.

Yet, 10 years later, Gaylord's The Nashville Network (TNN) is one of the most successful US cable channels and a second network, Country Music Television, which Gaylord acquired in 1991, is among America's fastest-growing cable services.

Gaylord, in short, is riding high on a boom in country music which has made this the fastest-growing form of popular music in the US. And now it is hoping to export its success to Europe.

The boom seems due largely to the emergence of a new generation of young singers - led by the phenomenally popular Garth Brooks - who are more able to cross the boundary which has traditionally distinguished country from the broader pop stream.

Country is also benefiting as pop fans turn away from rap and grunge, and from a vogue for simpler, rural values.

Whatever the cause, Gaylord, based in Nashville, Tennessee, is ideally placed to benefit, for it dominates country music in a similar manner to Walt Disney's hold on children's entertainment, with interests ranging from cable networks to a theme park.

At the heart of the group, giving it coherence, is its ownership of country music's most venerated institution, the Grand Ole Opry. This is a folksy show, broadcast from Nashville ever since 1925, which has played a central role in the development of 'country' artists.

The Opry House, where performances are held, is a key feature of Gaylord's nerve centre, the Opryland complex, just outside Nashville.

The complex includes its theme park and the Opryland hotel, an imposing building in southern plantation style featuring vast glass-enclosed gardens, complete with waterfalls and fountains synchronised to accompany evening performances by a harpist.

"This is not just a hotel, this is an entertainment experience," says Mr Terry London, Gaylord's chief financial officer, sipping a drink against a backdrop of 10,000 tropical plants.

Gaylord - quoted on the



Country singers Emmylou Harris and Garth Brooks on stage at the Grand Ole Opry in Nashville, Tennessee



New York Stock Exchange but 59 per cent held by the family and associates of its eponymous chairman, Mr Edward Gaylord - was an Oklahoma-based owner of newspapers and broadcasting stations until 1983, when it bought the Grand Ole Opry and the adjoining hotel and theme park.

It went public with a stock offering in October 1991, partly to provide for growth and partly to give liquidity to the founding families, and since then the share price has soared from \$30.50 to around \$45.

**G**roup revenues jumped from \$417m in 1988 to \$643m last year and operating cash flow from \$64.4m to \$150.8m.

Gaylord's growth is due to more than being in the right place at the right time. It has

gained a reputation for good management, a sensible expansion strategy, strong finances and an ability to cross-promote its subsidiaries.

The major source of profit and revenue growth for the foreseeable future will be the two cable networks, which already provide over 30 per cent of cash flow.

TNN reaches 57m subscribers - 93 per cent of cable

growth over the medium term is likely to come from CMT, which broadcasts non-stop country music videos.

Since Gaylord acquired 67 per cent of CMT 18 months ago, the network has increased its number of subscribers from 10m to around 19m. It attracts a much more youthful audience than TNN, which should make it attractive to advertisers, and its programming costs are small, since record companies provide it with videos free.

Last October, CMT launched a service into the fledgling European cable television market, which Gaylord thinks offers good long-term growth prospects.

Says Mr London: "Estimates suggest there will be 54m cable homes in Europe by the year 2000. There are currently 60m in the US. So we have the opportunity to repeat what we have done here."

It remains a moot point, however, whether Europeans will get excited about something as quintessentially middle-American as country music, even if CMT waters down its programming for transatlantic consumption.

Gaylord is also looking for significant growth at the Opryland Hotel, which is already one of the 20 largest hotels in the US in terms of guest

rooms. A leading convention centre, it has more than 2m room nights of bookings, stretching to the year 2000, and an 86 per cent occupancy rate.

Gaylord has just announced plans for \$175m of capital spending to add 979 rooms to the existing 1,891, to double the trade show facilities, and to create another immense glass-covered space called "The Delta."

**T**wo main dangers would appear to face Gaylord. One is that it might grow faster than its management resources, though it recently addressed this by hiring Mr Richard Evans, former president of New York City's Madison Square Garden auditorium, as chief operating officer.

The second is that country music could prove a temporary craze, as in the past. However, Mr David Hall, general manager of TNN, argues that at the end of each boom industry revenues have remained higher than before the craze began, and he expects this long-term growth pattern to continue.

"We will find artists that will... keep pushing up that treadmill further and further, if no one goes to sleep at the wheel," he insists. "We're dealing with a lifestyle here."

## THE FIGURES SAY IT ALL.

1991/92 - % CHANGE

Customer deposits	+20.8
Loans to customers	+21.0
Net profit	+31.1
Total assets	+21.9
Shareholders' equity	+3.9

The 1992 figures speak for themselves. However, it is worth reflecting on the major developments which occurred in 1992 and contributed to such positive results. The merger with Citibank Italia allowed us to incorporate 47 branches, mainly located in Southern Italy. Furthermore, we opened 34 new branches in areas of particular economic interest.

As a result, we now benefit from the resources of a network of 500 branches. To this, we can add a further 500 sales points provided by Ambro Italia, which, together with the other Ambroveneto Group companies, offer a comprehensive range

Parent Bank's figures as at 31st December 1992	
	US\$ m
Customer deposits	14,527
Loans to customers	12,806
Net profit	117
Total assets	26,202
Shareholders' equity	1,285

(Exchange Rate Lira/US\$ as at 31st December 1992: 1:470.86)

of financial services including leasing, factoring, merchant banking, insurance and investment funds. Finally, 1992 saw the inauguration of our London branch, situated in the heart of the City. Financial results, territorial expansion, preferential agreements with major European banks and a network of 4,000 correspondent banks worldwide.

The figures involved speak for themselves. Add all the figures together and they indicate the steady growth of Banco Ambrosiano Veneto, which can rightly be regarded as Italy's Leading Private Bank.

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ITALY'S LEADING PRIVATE BANK



## Toyota Motor gives profit target warning

## NEWS DIGEST

TOYOTA MOTOR will find it even harder to achieve its parent company profit target this year, according to Mr Taisuro Toyoda, president, Reuter reports from Tokyo.

"We worked hard to meet our forecast of parent company current profit of ¥300bn (\$2.76bn) for the year ended June 1993. It will be an even tougher in 1993-94," he said.

Toyota has lowered its forecast of domestic vehicle sales to 2.2m in calendar 1993 from a December forecast of 2.32m. Mr Toyoda said. The company sold 2.24m vehicles in Japan in 1992.

Domestic vehicle sales by Toyota in the first half of 1993 fell short of the 1.1m the company had forecast.

"We hope to achieve domestic sales of 2.2m vehicles in calendar 1993, thanks to a big sales push in the second half," Mr Toyoda said.

Tuntex Petrochemicals yesterday confirmed plans to build Taiwan's seventh naphtha cracker with a projected total investment of N\$87bn (US\$3.3bn), writes Dennis Engbarth in Taipei.

The facility will have an annual throughput capacity of 10m tonnes, or 22,500 barrels a day.

A spokesman estimated that the complex's annual production could reach a value of NT\$91bn. The proposed site would be close to Formosa Plastics' cracker in a coastal industrial zone near Tainai in Yunlin county.

The project would be the largest single investment by the Tuntex Group and officials said that Tuntex would seek to

gain the participation of domestic and foreign investors in the project.

Saudi British Bank, owned by Saudi shareholders and the British Bank of the Middle East, has reported a 50 per cent increase in net profit to SR193.2m (\$51.5m) for the first half of 1993 compared with a year earlier, Reuter reports from Manama.

The bank said the performance reflects strong business growth in all core business activities. Operating profit, before provisions for doubtful debts, was 44 per cent higher at SR211.2m.

Provisions were maintained at SR13.00m. On the balance sheet, total assets at the end of the half were 21.8bn riyals, up 26 per cent.

Chinese Petroleum, which has assets worth about \$11bn, would be privatised over the next seven to eight years, according to the finance ministry. It said CPC would be split into four sections - shipping, petrochemicals, natural gas and oil refining - in order to allow the company to be absorbed by private sector investors.

## BIRMINGHAM &amp; THE WEST MIDLANDS THE

The FT proposes to publish this survey on

July 14 1993.

It will be read by senior businessmen in manufacturing industries, service industries, government departments and funding authorities worldwide.

It will be of particular interest to 139,000 directors and managers in the UK alone who read the weekday FT.

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Data source: BMC Business Survey 1993

FT SURVEYS

## LEGAL NOTICES

IN THE MATTER OF

WINSTON PUBLISHING HOUSE LTD

AND IN THE MATTER OF

NOTICE IS HEREBY GIVEN pursuant to Rule 4.106 of the

COMPANIES ACT 1985 that a meeting of the

shareholders of Winston Publishing House Ltd will be held at

100, Cannon Street, London EC4A 3DF on Wednesday 14th July 1993 at 11.00 a.m. for the

purpose of considering the proposed acquisition of the

company by the City of London Corporation and the

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# Portugal ready to woo investors from abroad

## Ssangyong Oil issue leads

Although the Korean stock market has been opened up to

## Oil issue leads

Two more Japanese names came to the market yesterday, as expected, issuing bonds with warrants. NGK Insulators

## Issue leads

Outside the equity-linked sector, the international bond market saw a handful of new issues. Bacardi-Martini

# invasion

The company has already done US private placements

moody, with longer-dated prices posting solid gains.

By midday, the benchmark 30-year government bond was up  $\frac{1}{4}$  at 106 $\frac{1}{2}$ , yielding 8.641 per cent. At the short end of the market, the two-year note was slightly weaker, down  $\frac{1}{8}$  at 100 $\frac{1}{2}$ , to yield 3.926 per cent.

Treasuries opened firmer, buoyed by overnight buying in foreign markets and by reports in the US that the Federal Reserve, in the wake of last week's unexpected poor employment figures, is ready to return the bias on its monetary policy to a neutral stance.

On the other hand, the 10-year Treasury note, which had

adopted two months ago.

In late morning trading, however, shorter-dated securities fell back from their earlier gains, as a slight surge in commodity prices prompted selling at the short end.

■ **JAPANESE** government bonds were steady, with futures ended higher on continued hopes of a credit easing and an absence of active sellers. Reuter reports from Tokyo.

● **Technical** difficulties have prevented publication today of the benchmark Government Bonds table.

## from Far East

Coupon %	Price	Maturity	Face %	Spread bp	Book runner
1.375	100	Jul.1987	2.25	-	Nikko Europe
4.75	88.89	Aug.1987	0.25	<20 (b)	Nikko Europe
5.75	92.66	Jul.1998	0.375	+80 (51%+58)	J.P. Morgan Securities
3.375	100	Jul.1987	2.25	-	Normans International
9.25	100	Oct.1986	2.25	-	Parsons Capital Markets
9.25	99.63	Jan.1998	1R	+530 (a)	ING Bank
7	89.79	Aug.2003	0.325	+26 (51%-03)	Barclay Paribas
9.75	89.375	Aug.2003	0.325	-	Deutsche Bank London

The yield spread (over relevant government bond) at launch is supplied by the issuer. Issuer-announced coupon, R: fixed re-offer price; face: are shown at the re-offer level. Actual yield curve is convertible into non-yielding shares. Priced on 8/7/88 as of the date, after 6 years at a price equal to the yield to put and after 8 years at par. Puttable

The other main Eurodollar deal of the day came from the Kingdom of Denmark, which launched a \$250m, four-year bond priced to yield 20 basis points over the interpolated yield curve.

The Kingdom of Sweden yesterday joined the steady stream of borrowers to tap the Eurodollar market with a £250m, 10-year deal carrying a coupon

which lead managed the deal said the aim was to draw more institutional investors into the Eurodollar market, an area which traditionally has been dominated by retail investors.

"Sweden is well-known among institutional investors," said Deutsche Bank, claiming that some 55 per cent of the bonds were sold to institutional investors.

The appreciation of the extent of the divergence prompted a rush of buying last week with one London securi-

And Mr Steve Major, a Portuguese bond specialist with Crédit Lyonnais, which is primary dealer with a big operation in Lisbon, says: "Portugal has lagged Spain because of lingering currency concerns but the big picture story of weakening D-Mark reduces the cross currency risk of holding high yield bonds."

[illegible]

**STRAYKING BONDS:** The yield is the yield to redemption of the last-price; the amount issued is in millions of dollars. Spread-Margin above six-month interest rate (%). Floating Rate Note: Determined in dollars unless otherwise indicated. Coupon: Stated annual coupon. Spread-Margin above bond par expressed in currency of share of the issue. Minimum: Below main ratio for US dollars. Excess: Above nominal amount of bond par expressed in currency of share of the issue. Conversion: Below main ratio for US dollars. Excess: Above nominal amount of bond par expressed in currency of share of the issue. Convertible Bonds: Determined in dollars unless otherwise indicated. Excess: Above nominal amount of bond par expressed in currency of share of the issue. Conversion rate based at issue. Price: Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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This document was compiled by International Securities Market Association.

[illegible]

<b>FIXED INTEREST STOCKS</b>							
Issue Price	Amount Paid up	Interest Barring Date	YMS		Stock	Dividing Price	Rate
			High	Low			
1000	P.P.	100%	95 1/2	100 1/2	Washington & Ancon Rd Pkwy	65	100%
100	P.P.	100%	100	100 1/2	East Side, 7400 Ch Dm Pl	65	100%
100	P.P.	100%	100	100 1/2	Industrial Park, Apt C-200	65 1/2	-1

[illegible]

Percent announced default, cover and puts ratio based on prospectus or other official statements. *As of* figures in parentheses. *As based by year of rights.* *1* Introduction. *2* Pricing plans. *3* Unlisted securities offerings. *4* As Firms in process.

TRADITIONAL OPTIONS		
● First Dealings	June 28	shown in Saturday editions.
● Last Dealings	July 9	Calls in Amex, Division, Gray-
● Last Dealings	Sept. 30	coet SWP, Fannin, Tullow Oil and
● For settlement	Oct. 11	Vardon. Put in: AAF Calls & Puts;
● 3-month call rate indications are		Ferranti, Graycoet and Tullow Oil.

FT-SE ACTUARIES INDICES	
The FTSE 100, FTSE Mid 250 and FTSE Actuaries 350 indices and the FTSE Actuaries Industry Basket are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1983. All rights reserved.	2-5 15 years (29) 150.68
	Over 15 years (9) 163.01
	4 Irregularities (6) 185.52
The FT-Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries. © The Financial Times Limited 1983. All rights reserved.	All stocks (63) 146.46
	Inter-Industry
	Up to 5 years (2) 186.19
	Over 5 years (11) 175.50
The FTSE 100, FTSE Mid 250 and FTSE Actuaries 350 Index, the FTSE Actuaries Industry Basket and the FT-Actuaries All-Share Index are members of the FTSE Actuaries Basket which is calculated in accordance with a standard set of group and sub-group and Share Indices series which are calculated in accordance with a standard set of group and sub-group indices. The FTSE Actuaries Basket is calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries.	All stocks (13) 176.16
"FT-Share" and "Bonds" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.	9 Bees & Lanes (65) 133.47

LIFFE EQUITY OPTIONS																	
Option	CALLS					PUTS			Option	CALLS					PUTS		
	Aug	Nov	Feb	Apr	Nov	Feb	Apr	Nov		Aug	Nov	Feb	Apr	Nov	Feb	Apr	Nov
FTSE 100	390	344	444	577	20	39	46	44	European	390	44	60	10	19	32	40	48
DAX	420	31	32	44	55	55	55	55	(120)	420	27	—	—	—	—	—	—
S&P 500	400	24	42	42	49	19	25	25	Call	390	20	25	—	—	—	—	—
(VIX)	425	100	25	29	16	33	33	33	(150)	600	140	30	—	—	—	—	—
FTSE 100	390	142	202	272	15	15	18	18	European	140	12	17	21	21	21	21	21
DAX	390	31	31	41	51	51	51	51	(120)	410	14	14	14	14	14	14	14
S&P 500	390	16	24	24	29	29	29	29	Call	390	14	14	14	14	14	14	14
(VIX)	425	100	25	29	16	33	33	33	(150)	600	140	30	—	—	—	—	—
FTSE 100	390	142	202	272	15	15	18	18	European	140	12	17	21	21	21	21	21
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(VIX)	425	100	25	29	16	33	33	33	(150)	600	140	30	—	—	—	—	—
FTSE 100	390	142	202	272	15	15	18	18	European	140	12	17	21	21	21	21	21
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DAX	390	31	31	41	51	51	51	51	(120)	410	14	14	14	14	14	14	14
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(VIX)	425	100	25	29	16	33	33	33	(150)	600	140	30	—	—	—	—	—
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(VIX)	425	100	25	29	16	33	33	33	(150)	600	140	30	—	—	—	—	—
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(VIX)	425	100	25	29	16	33	33	33	(150)	600	140	30	—	—	—	—	—
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DAX	390	31	31	41	51	51	51	51	(120)	410	14	14	14	14	14	14	14
S&P 500	390	16	24	24	29	29	29	29	Call	390	14	14	14	14	14	14	14
(VIX)	425</																

BARRIE'S FIXED INTEREST INDICES		AVERAGE GROSS RECEIPTION YIELDS		Tue Jul 6	Mon Jul 5	Year ago approx.
		British Government				
Mon Jul 5	Accrued interest	rd. Jul 1993 to date				
			1 Low 5 years	6.78	6.82	6.15
			2 Optimize 15 years	7.87	7.91	6.68
			3 Medium (8%-14%) 20 years	8.01	8.04	6.98
			4 Medium 5 years	6.94	6.98	6.12
128.23	1.78	5.94	5 Compus 15 years	7.96	7.99	6.91
150.29	2.20	6.65	6 (8%-10 1/2%) 20 years	8.07	8.10	6.86
163.09	5.90	5.77	7 High 5 years	7.13	7.17	6.27
163.94	1.94	7.39	8 Optimize 15 years	8.59	8.62	7.32
146.16	2.06	6.34	9 (11% - ) 20 years	8.24	8.28	6.98
			10 Treasuries (rd. Yield)	6.15	6.16	5.98
			Lanka-United			
186.20	1.26	1.82	11 Inflation rate 5% Up to 5 yrs.	2.88	2.87	4.07
175.08	0.89	2.62	12 Inflation rate 5% Up to 5 yrs.	3.59	3.60	4.43
176.12	0.85	2.63	13 Inflation rate 10% Up to 5 yrs.	2.14	2.13	3.32
			14 Inflation rate 10% Up to 5 yrs.	2.55	2.52	4.14
133.21	2.33	3.58	15 Index & Interest 5 years	6.82	6.87	6.27
			16 Index & Interest 15 years	8.82	8.82	10.01
			17 Index & Interest 25 years	9.09	9.10	10.10

COMPANY NEWS: UK

# Lonrho recruits Capel to rebuild bridges

By Roland Rudd

Lonrho, the international trading conglomerate, has recruited James Capel as its joint stockbroker to rebuild bridges with institutional investors.

Lonrho's financial advisers see the move as part of a campaign by Mr Dieter Bock, joint chief executive with Mr Tiny Rowland, to establish better relations with fund managers. Institutional shareholders, disenchanted with the group's performance, had been heavy sellers during the last few years before Mr Bock's investment.

Mr Andrew Skinner, director of James Capel, said it had been chosen because of its strong relationship with institutions. Société Générale Strauss Turnbull Securities will continue to act as joint broker.

Lonrho has dismissed as "speculation" reports that its efforts to seek a rapprochement with the City are part of a longer-term goal of seeking new funds via a rights issue.

The group's shares yesterday rose 2p to 126p.

Capel's appointment comes more than a year after UBS, which had been the main marketmaker in Lonrho shares,



Dieter Bock (left) and Tiny Rowland: improving investor relations

resigned in protest at Lonrho's lack of consultation over its big deals.

UBS was particularly irritated by the group's failure to tell it of its decision to sell a third of its holding in Metro-Hotels to the Libyan government-controlled Libyan Arab Finance Company for £177m.

It is understood that James Capel has been assured that it will be notified of the group's strategy before it is carried out.

In a separate move Krupp, Germany's diversified steel

and engineering group, said it was talking to Lonrho with the aim of buying back the conglomerate's 50 per cent stake in the Krupp-Lonrho trading company.

Krupp, formed through merger of the Krupp and Hoesch groups, returned a loss of DM250m (£38.4m) in 1992.

Mr Bock has told his advisers that the sale of the stake in Krupp-Lonrho is part of a wider strategy of good house-keeping and the relinquishing of some of its bigger associates which have not helped cash flow.

# A complex deal to secure the future

Vanessa Houlder reports on the rescue package agreed with Postel for Greycoat

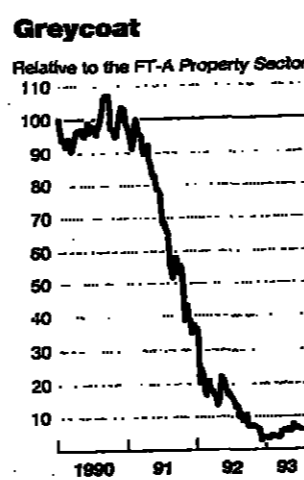
POSTEL's proposed rescue package for Greycoat is a complicated deal involving a placing, an issue of warrants, two rights issues, a property sale and the restructuring of two bonds.

The complexity of this refinancing mirrors the traditionally complex nature of Greycoat's funding arrangements. Until recently, Greycoat prided itself on the sophistication of its finances as much as the quality of its buildings.

Greycoat stood out among property companies for its innovative, carefully structured funding arrangements. It used deep discount bonds to defer interest payments during the early years of a development's life. It was confident that rents would increase sufficiently to provide the income to pay the increased interest bill when it fell due.

But the collapse in property values undermined its assumptions. It became increasingly clear that it would have problems repaying a \$50m zero coupon bond in 1995 and paying an additional \$9.375m annual interest to holders of stepped interest bonds from September 1996.

Greycoat's increasingly parlous financial position forced it to sell property in an attempt to reduce gearing. In the past year it sold £197m of properties, often below their March



Source: Datastream

1992 valuations.

This effort to reduce its gearing did not go far enough. Greycoat said yesterday that if Postel's proposals were not approved "there is a risk that at any early stage the group would face serious difficulties which would jeopardise its future."

If the company went into administration, its value would be diminished by the need to sell properties on a forced sale basis, the cost of unwinding long-term finance and the acceleration of the repayment to bondholders.

Payments to unsecured cred-



Alastair Ross Goobey, chief executive of Postel

itors "would be seriously at risk and, therefore, there would be no surplus available for distribution to either preference or ordinary shareholders," it said.

The deal proposed by Postel involves sharing the pain between shareholders, bondholders and preference shareholders.

Under the deal, Postel will underwrite a 4-for-1 rights issue at 124p per share to raise £58.9m.

It will also underwrite a further rights issue of one new ordinary share for each exist-

ing preference share at 124p to raise £6.25m.

The deal also involves Greycoat placing 30m shares with Postel at 15p per share to raise £4.5m; Postel receiving 37.5m warrants convertible into ordinary shares in Greycoat at any time up to 2000 at 25p per share.

In addition, Greycoat will buy a property called Hill House from Postel for £58.5m in the form of 125m 9 per cent cumulative redeemable preference shares 2014 of 40p and a cash payment of £3.5m. Greycoat needs to win approval from its bondholders to defer

its obligation to pay the \$50m zero coupon bond due in 1995. It proposes exchanging these bonds for \$40m 7.5 per cent bonds due 2003, secured on Hill House.

Greycoat has also proposed that the holders of the £150m Britannic Bond pass control of Britannic House to a new non-recourse vehicle, subject to option that Greycoat can buy back the property at any time prior to April 2002.

Bondholders will be asked to defer any shortfall in interest for three years to 2002.

Greycoat is also asking its preference shareholders to waive their accumulated dividends and reduce the nominal value of their shares from 100p to 40p and reduce the coupon from 9.5 per cent to 9 per cent.

The deal is subject to approval by Greycoat's shareholders, lending bankers, bondholders and preference shareholders as well as the Stock Exchange and the Takeover Panel.

City analysts were divided yesterday on whether to recommend shareholders to take up their rights. Many said no decision should be taken until the company publishes its results, together with a detailed circular on the deal, in six weeks time.

## Britton to pay £32m for Taco

By Roland Rudd

BRITTON GROUP, the packaging company formed last October after the acquisition by Firstland Group of Gelpack Industrial, is to treble its size with the takeover of Taco, a privately owned polythene maker, for £31.6m in cash and shares.

Britton shares were suspended at 134p. It is raising £39m via a £15m placing with institutions and a 1-for-1 rights issue at 10p raising £13.2m, and an intermediaries offer to raise a further £4.7m.

The group recently reported a pre-tax loss of £2.32m for 1992. Mr Simon Beart, finance director, said this was due to withdrawal from oil and gas. Gelpack has sales of £13m and operating profit of £1.4m.

"The enlarged group will be the second largest extruder of polythene film in the UK. We are now a substantial player with an ungaraged balance sheet," he said.

All the company's existing shareholders, which include Mercury Asset Management with 17 per cent and Royal Insurance with 9 per cent, are taking up their rights. Mr Beart said 10 new institutions had been brought on board to widen the ownership of the enlarged group.

The acquisition of Taco includes £5.4m of debt. If Taco achieves profits before tax and interest of £5.1m in the year to April 30 1994, the vendors will receive another £5.5m.

In the year ended April 30 1993, Taco reported sales of £28.6m and profits before tax, interest and non-recurring costs of £4.4m.

Britton's shares will be re-listed on August 2 if shareholders approve the deal at an EGM on July 29.

## Sterling Publishing advances to £5.3m

By Catherine Milton

STERLING Publishing Group reported pre-tax profits of £5.31m for the year to end-March as new accounting rules forced the company to restate last year's results as an £8.09m loss.

Adopting FRS 3, the publisher of advertising-financed journals restated the 1992 figures from a pre-tax profit of £2.05m by reclassifying extraordinary provisions as exceptional charges. The provisions allowed for disposals following an abortive diversification as well as a £1.7m write-down of intangible assets.

Operating profits rose to £5.56m against a restated £1.52m as turnover rose to £42m (£41.6m), including £7.63m from discontinued operations. The company added 18 new titles in its core trading subsidiaries, Sterling Publications and Cornhill Publications.

Ms Clare Whitley, finance director, said advertising rates

had been maintained and there had been growth in the exhibitions business. Interest charges dropped to £1.25m (£1.39m), reflecting lower rates towards the end of the financial year and reduced borrowings. Net borrowings were £12.1m (£17.8m) at the year-end.

Ms Whitley said gearing now stood at about 55 per cent. She said the balance sheet figure for fixed assets of £27.8m (£28.3m) did not include a value for internally generated titles which directors estimate at about £30m, giving gearing of some 35 per cent.

Mr Ronald Cohen, chairman, said the company's telephone sales operations allowed it to target potential advertisers worldwide. "This has been particularly important over the last year with the continuing weakness in the US and UK economies and the developing recession in western Europe."

Fully diluted earnings per share on continuing operations rose to 7.9p (1.5p). A proposed final dividend of 2.4p gives a total for the year of 3p (2.5p).

## Andrew Knight's trusts sell half News Corp stake

By Paul Taylor

TWO FAMILY trusts of Mr Andrew Knight, executive chairman of News International, have sold more than half their stake in Mr Rupert Murdoch's News Corporation, the newspaper publishing group's parent company.

News Corp said yesterday that the trusts, Blomfield Trusts (Jersey) and Ernst & Young Trusts of which Mr Knight is a beneficiary, had sold a total of 3.93m shares in two tranches on July 1 and July 2 at an undisclosed price.

Following the sales the trusts held 3.8m shares.

News Corp emphasised that the trusts had acted on their own initiative and that the disposal was designed to diversify their holdings which until now had been entirely in News Corp stock.

Since Mr Knight's appointment at News International in January 1990 News Corp's shares have risen from about 175p to more than 300p. They closed down 3p at 336p last night. Mr Knight was on holiday yesterday and unavailable for comment.

## Sims Food runs up deficit of £586,000

By Peter Pearce

AS HAD been prefigured almost a month ago Sims Food Group, the meat processor and supplier, fell into the red in the year to March 31 after a non-recurring exceptional provision of £5.59m.

From pre-tax profits of £6.94m restated for FRS 3, the group fell to losses of £586,000.

Turnover rose to £312.7m (£251.4m), an advance of 24 per cent, though Sims said, stripping out the effect of acquisitions, that there had been an

underlying organic growth of 9 per cent.

Mr David Brady, finance director, said this was "encouraging", given overall static meat prices over the year. Interest payable grew to £2.21m (£1.66m).

Mr Brady said that behind the exceptional charge - to cover the writing-off of under-utilised equipment for storing meat under pressure, the clearing of the non-core Country Feast and J Redmond, and the restructuring and reduction of the catering and retail divi-

sions - to more accurately reflect lower demand - lay badly eroded margins.

Part of the problem was that Sims had outlaid EC-driven capital expenditure more quickly than turned out to be necessary because a three-year period of grace had been granted.

Further, the devaluation of sterling and the alignment of "green rates of currency" more directly with market rates led eventually to shortage-driven price rises, only part of which the supermarkets helped

absorb. Mr Brady said that all the bad news was in these figures, though prices were unlikely to fall much within the next two years.

Sims commands some 40 per cent of the fast-food hamburger market and is the second biggest supplier of fresh meat to the catering trade.

Earnings per share last time of 15.9p were turned into losses of 5p. However, again as forewarned in June, the final dividend is reduced to 4.5p (8.25p), resulting in a total of 7.5p (11.25p) for the year.

## Moran administration order discharged by High Court

By Andrew Jack

THE High Court yesterday discharged the administration order in place since last August on Moran Holdings, the tea producer, freight forwarder and property developer.

Mr Justice Harman approved a rescue plan following approval by shareholders of a refinancing at an extraordinary meeting on Monday. Moran plans to raise £2.3m from an underwritten rights issue and with a further £1.1m

loan from Daruforth, a British Virgin Islands-based subsidiary of Volkart Brothers.

Partners from accountants Touche Ross were the administrators and lawyers from Lovell White Durant were also involved in preparing the rescue.

Touche said that a last minute injunction issued in Calcutta from a minority shareholder of Moran Tea Company (India) failed to stop the extraordinary meeting taking place.

## Colefax & Fowler £395,000 in red and dividend cut to 1p

By David Green, chairman

COLEFAX & FOWLER, the wallpaper and furnishings fabrics manufacturing group, finished the year to April 30 with a pre-tax loss of £395,000, compared with a profit of £704,000.

The result included an exchange gain of £418,000. Losses per share came to 1.05p (earnings 3.7p), after a tax credit.

Following a cut of 0.8p in the interim dividend, the final dividend is similarly reduced to 0.5p for a total of 1p (2.6p).

Mr David Green, chairman, said the decorating division's results were affected through the weakness of the dollar, leading to a delaying of projects by American clients, while the current UK economy had a similar effect on UK clients in relation to decorating projects and sales of antiques.

He said current trading in the US was slightly improved; in the UK and rest of Europe conditions continued to be difficult.

## Midlands Electricity lifts dividend by 15.9%

By David Lascelles, Resources Editor

MIDLANDS ELECTRICITY rounded off the power company results season yesterday with a 17.5 per cent increase in pre-tax profits and a 15.9 per cent rise in the dividend - one of the strongest in the sector.

Mr Bryan Townsend, chairman, described the result as "excellent" and said it bore out Midlands' aim to be a broadly defined energy company.

Pre-tax profits rose from £142.1m to £167.1m, equivalent to a 13.9 per cent rise in earnings per share. The board is recommending a final dividend of 4.65p, making a total for the year of 20p including the second interim dividend paid in April. This compares with last year's total of 17.25p.

Mr Townsend said the benefits of Midlands' performance had been shared almost equally between shareholders, the customers who got tariff reductions of 4 per cent, and the tax man.

Much of the profit increase came from a 6.7 per cent reduction in costs, including the loss of 350 jobs over the year. Further manpower reductions are envisaged, bringing annual savings to £20m. The operating profit on distribution increased from £137.8m to £144.3m, and on supply from £8.3m to £18.8m. The number of electricity units distributed increased by 0.3 per cent.

Midlands' interest in power generation took

shape with the opening of the Teesside gas-fired plant in which it has a 19 per cent stake. The company is now part of an international consortium, Wing Merrill, which is looking at further generation projects in Kuwait, China and Turkey.

Among other businesses, the new retail gas subsidiary acquired 1,000 customers and produced a small operating profit. The retailing side was also in profit, but during the year it was merged into a new venture with Southern and Eastern Electricity which has incurred heavy start up costs.

Gearing was reduced during the year to 1 per cent with the repayment of £75 of government debt.

### COMMENT

The shares gained 8p to 491p in a buoyant electricity market on a result that was stronger than it looked. Midlands tucked away £38m of provisions, and resisted the temptation to round off the results with a dividend increase to top the rest. The prospects depend on how successful Midlands is with its "energy company strategy". It makes sense to widen its base in the business, but is it prudent for a REC to be building power stations in China? Midlands is an average REC share, and its reluctance to make firm pronouncements about dividend prospects mean it will probably stay that way. The prospective yield is a shade under 6 per cent.

## Greenalls sees savings from bid

By Paul Taylor

GREENALLS Group, the pubs and hotels company which has made an agreed £214.3m offer for JA Devenish, the west country pubs group, said yesterday that it expects to generate some £3.5m in annual cost savings as a result of the proposed acquisition.

The deal would add 550 pubs to Greenalls' present estate of 1,450, and the offer document published yesterday identifies areas where cost savings are expected to be made.

These include economies of scale and improved overhead absorption resulting from the elimination of duplicated costs and the potential for Stretton Leisure, Greenalls' machine distribution company, to supply amusement, games and music machines to the Devenish pubs.

Reflecting a slightly more bullish appraisal of trading prospects Greenalls is now predicting that, after taking into account the savings, the acquisition of Devenish will be non-dilutive in the first full year.

## Heavy trading in Celsis shares

By Richard Gourlay

Shares in Celsis ended their first day of trading yesterday up just 1p from the issue price of 100p after touching 117p in heavy trading.

The company hopes to replace the laboratory agar plate with a faster method of detecting microbial contamination, but is still developing its product.

The intermediaries offer part of the new issue was nearly four times subscribed with applications for 27m shares chasing 7m shares on offer.

Investors will have been allocated half what they applied for up to 10,000 shares; 30 per cent for additional shares up to 440,000; and about 16.66 per cent of the number for shares applied for over and above that.

DIVIDENDS ANNOUNCED					
	Current payment	Date of payment	Carried forward dividend	Total for year	Total last year
Ausprey \$	4	Aug 16	3.75	5.1	4.85
Avesco	0.5	Oct 1	0.5	1.0	0.5
Colefax & Fowler	0.5	Oct 1	1.3	1.8	2.6
Danese Int. Tex.	4.575p	Aug 31	4.575	7.95	7.95
Euromer	3.5	Oct 14	3	6.5	6
Evans of Leeds	3.14	Aug 20	2.85	4.57	4.15
Farepak \$	4.1	Oct 1	3.55	5.75	5.3
Howden	1.45p	Oct 1	1.3	2.2	2
Midlands Elect	4.65	Oct 1	11.8	20	17.25
P&P	0.8	Oct 1	0.7	1.5	1.4
Sims Food	4.5	Oct 1	9.25	7.5	11.25
Sterling Pub \$	2.4	Nov 8	3	5.4	5
St	8.2	Nov	2	11.5	10.91

Dividends shown pence per share not except where otherwise stated. \*On increased capital, \$USM stock.

## EVANS OF LEEDS PLC PROPERTY INVESTMENT AND DEVELOPMENT

- \* Pre-tax profit up to £8.786 million (£8.523 million)
- \* Final dividend up to 3.14p (2.85p)
- \* Total Property Portfolio £206.4 million
- \* Net assets per 25p share 196p (201p)
- \* Current Rental Income £20.2 million (19.0 million)

	1993	1992
Profit on ordinary activities after tax	£7.530m	£7.027m
Shareholders' funds	£122.5m	£122.6m
Dividends paid and proposed	4.57p	4.15p
Earnings per 25p share	11.36p	10.87p

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## COMPANY NEWS: UK

# Howden to spend £15m to diversify fan side

By Andrew Boiger

HOWDEN GROUP will spend £15m on restructuring the fan manufacturers which it has bought in an attempt to diversify out of large-scale contracting work.

A total of £40m has recently been spent in acquiring Novenco, a Danish maker of industrial fans, and Buffalo Forge, a US fan and air-handling business. About 400 jobs will be shed in the US, and 250 from the enlarged group's European fan division.

These substantial balance sheet provisions were revealed yesterday when the group reported an increase in pre-tax profits from £18.1m to £18.5m over the year ended May 3 1993. Sales rose from £292.3m to £335m.

Profits were reduced by an exceptional charge of £2.46m after the final settlement of a dispute over tunnelling machines which the group supplied to Denmark. This ended a bitter wrangle which caused Howden heavy losses

and a crash in its share price in 1990.

Mr John Jackson, chairman, said Howden's prime objective was to complete the successful integration of the past year's acquisitions, particularly in North America.

Order intake totalled £266m (£278m) which was "satisfactory" in current circumstances. During the year management had responded to a more competitive environment by cutting costs, and the overall workforce fell by 10 per cent to about 4,500, excluding the Buffalo acquisition.

Mr Johnny Johnson, chief executive, said he hoped to move away from Howden's traditional contract business of supplying specialised fans for power stations, which came through erratically.

Instead, he wanted to focus on smaller industrial fans, which yielded higher profit margins.

He said business was flat in the UK and Europe, but recovery was firmly established in the US. He saw the greatest

new opportunities in south-east Asia and the group was in talks about setting up a joint venture in China.

Earnings per share came to 6p (5.5p). A final dividend of 1.45p on increased capital gives a total for the year of 2.2p (2p).

## COMMENT

Having finally got out of the hole represented by the Danish tunnelling contract, Howden still has its work cut out. The group issued £2m shares in the last year to fund acquisitions, and analysts estimate that pre-tax profits will have to increase from £18.5m to £24m just to avoid dilution of earnings. Focusing on smaller fans seems plausible, but the group makes no bones that the trading outlook is tough - particularly in Europe and the UK.

Institutional investors have supported the cash calls and the shares have risen from 30p in October to close unchanged at 79p yesterday. They are unlikely to advance further until the success of the new strategy becomes clearer.

## Registered interest in BT sale disappoints

By Roland Rudd

THE NUMBER of registrations in the sale of the government's remaining holding in British Telecommunications remains well below the number in the last sale of BT shares.

The Treasury yesterday announced that after 600,000 new registrations in the last week the total number had risen to 5.2m, compared with 5.25m in 1991.

However, 2.4m individuals, being qualifying BT shareholders and eligible BT employees, were automatically registered compared with 1.1m last time. "After excluding those automatically registered the figures are really quite disappointing," said one telecommunications analyst.

Of those registering, 2m chose to go through one of the share shops with 1.4m registering with the Share Information Office. Applications through most share shops close July 13 and the public offer in the UK closes July 14. Trading in the new shares starts July 19.

Mr Stephen Dorrell, financial secretary to the Treasury, said he believed the result showed that BT3 was on course for success.

Those applying through share shops will get a greater allocation of shares than applicants through the information office, if there is a big demand.

UK private investors will receive discounts of 10p on all three instalments. The overall price, which will determine the sum payable in the third instalment, is to be determined by the bids for shares made by the institutions after the book building exercise gets under way tomorrow.

# Cost controls and improved margins help Eurotherm advance to £9m

By Paul Taylor

EUROTHERM, the industrial process control equipment supplier, reported a 37 per cent increase in interim profits, reflecting cost cutting measures, improved margins and the positive impact of sterling's devaluation.

Pre-tax profits increased to £9.19m in the six months to April 30, against £6.71m last time, while turnover expanded a modest 3.8 per cent to £81m (£78.1m) reflecting the "patchy" state of the world economy, with few countries showing strong recovery signs.

Mr Jack Leonard, chairman, said the group had been doing "rather well in adverse conditions," and had concentrated on restoring profitability and generating cash over the past 18 months.

Tight control on costs, including a further reduction in the workforce from 2,150 at the end of October to 2,080 at the period-end, helped boost operating profits by 27 per cent to £9.27m.

Earnings per share jumped 37 per cent to 13.67p (9.97p) and the interim dividend is lifted to 3.5p (3p).

Net interest charges dropped to £81,000 (£608,000) reflecting the reduction in net borrowings made possible by strong cash generation.

Borrowings fell from £7.4m at the end of October to £1.8m and gearing dropped from 12.9 per cent to 2.9 per cent.

Looking ahead Mr Leonard said that having strengthened profitability and the financial position of the company "our next priority is to ensure a resumption of sales growth."

Provided there is no marked deterioration in international trading conditions in the second half he expects the group to achieve a "significant" full-year profit improvement.

## COMMENT

With almost 80 per cent of turnover coming from outside the UK, sterling's devaluation has significantly improved competitiveness. Sales are



Jack Leonard: doing 'rather well in adverse conditions'

lower in Germany where the group has a relatively small presence, but are holding up elsewhere in continental Europe and growing strongly in the US. The one blackspot is the process automation business focused on the UK where customers are still postponing big investment projects. But

after cutting the cost base the group is well positioned to take advantage of any upturn. Pre-tax profits this year should reach £19.9m producing earnings per share of 30p. Based on yesterday's share price of 91p, up 3p, the shares are on a lofty but well deserved prospective multiple of 19.7.

## P&P recovery gathers pace

By Alan Cane

P&P, the personal computer distributor and computing services company, saw pre-tax profits double on flat revenues in the six months to May 31 1993, as it continued to recover from the effects of the debilitating price war in the personal computer business.

Mr David Southworth, managing director, said the improvement confirmed the strategic decision to withdraw from the distribution of low cost, high volume, products to concentrate on high value

added services, including video conferencing and multimedia. Profits before tax were £2m (£1m) from turnover of £121.5m (£119.5m).

Turnover on continuing operations after disposal of the high volume business was £104.8m (£91.6m), while operating profit on those businesses was ahead 60 per cent at £2.4m.

Fully diluted earnings per share were 2.1p (1p) and an interim dividend of 0.8p (0.7p) is declared.

Mr Southworth said that there was "quiet satisfaction"

that the group, one of the UK's largest personal computer distributors, was well on course for recovery.

He said the level of corporate investment was high although small businesses were spending money on information technology only sluggishly.

Plans to invest were still being delayed, moreover, by the need to make decisions over future technological developments. Corporates were undecided whether to invest in Intel's new Pentium chip technology or to opt for Risc technology from other suppliers.

## Ropner makes £4.1m buy

ROPNER is buying DAC for approximately £4.1m cash from Rolls-Royce's Northern Engineering Industries subsidiary. The consideration will be adjusted depending on net asset value on completion date.

Ropner, with interests in engineering, property and shipping, warned that it continued to face difficult trading conditions and saw no reason for expressing great optimism during the present year.

DAC, based in Burton-on-Trent, supplies communications systems. In 1992 operating profits were £654,000 on turnover of £5.8m.

## Sedgwick to form Chinese offshoot

Sedgwick, the insurance bro-

ker, has received permission from the People's Bank of China to form Sedgwick Insurance and Risk Management Consultants (Chiba), a wholly owned subsidiary which will be registered in China.

The new company will provide full insurance advice and service, with risk management support, to foreign joint ventures and companies and, in conjunction with Chinese insurance companies, to Chinese organisations.

In addition to its existing representative office in Beijing, the company will be opening new offices in Shanghai and Shenzhen.

## Dwyer to sell Abbeycentre

Dwyer, the property investment group, is to sell the Abbeycentre in Belfast for £18.5m cash, subject to shareholder approval.

The Abbeycentre represents 30 per cent of Dwyer's property portfolio by value, considered

to be too large for a single investment.

The sale will reduce borrowings by £11m, cutting gearing by half to 106 per cent, and make more than £7m available for investment.

## Edmond shares fall on profit warning

Shares in Edmond Holdings, the housebuilder, fell 4½p to 15p after the company warned that profits for the year were unlikely to match current market expectations.

Trading in the first half had been in line with expectations, in conditions which had continued to be difficult. However, despite signs of recovery in some geographical locations, the areas in which Edmond operates - Humberside, East Anglia and south Wales - had not experienced any positive effects and lower volumes and weaker prices had resulted.

The board did not feel it prudent to anticipate an improvement in trading conditions in the near future.

In 1992 the company incurred pre-tax losses of £1.15m (£1.73m profits).

## Serco makes £3.5m Scottish acquisition

Serco, the international task management company, has reached agreement with the environment secretary for the purchase of PSA Building Management Scotland for £3.5m. Its shares rose 30p to 97p in the stock market yesterday.

The government will meet the cost of redundancies, should they be necessary, up to an agreed figure in the first five years.

BM Scotland offers a range of integrated property management services in Scotland, principally to the Ministry of Defence and government departments.

## Yates Brothers uncorks 12% rise

Yates Brothers Wine Lodges, the independent drinks group, lifted profits before tax by 12 per cent over the year to March 28.

The increase - from £2.49m to £2.78m - came on turnover ahead 24 per cent to £35.3m (£32.5m).

Profits at the operating level advanced 23 per cent to £3.42m (£2.81m); interest charges amounted to £440,000 (£320,000).

Earnings per share emerged at 9.4p (7.8p). The dividend goes up 35 per cent to 2.46p.

## Little change at Danae Inv Tst

Net asset value per income share of the Danae Investment Trust declined marginally from 51.79p to 51.68p over the 12 months ended May 31. The figure for the capital shares rose from 50.79p to 50.8p.

After-tax revenue edged ahead to 558,676 (£549,612), equal to basic earnings per income share of 7.5p (7.7p). A second interim dividend per income share of 4.575p makes a same-again total of 7.56p.

## New London cancels sale to Schlumberger

New London, the oilfield services group, has cancelled the sale of its International Drilling Fluids unit to Schlumberger of the US.

On May 19 New London announced that a letter of intent had been signed with Schlumberger under which it would buy IDF for about net asset value and pay nearly £1m for a 10 per cent stake in New London. The deal was intended to be signed by June 30.

Yesterday, New London said that revised terms had been received which were unacceptable and it was reviewing alternative plans for IDF's future.

New London shares fell 2½p to 5½p.

## NEWS DIGEST

## Avesco losses £0.2m below forecast

AVESCO, which serves the broadcasting, television and video markets, cut pre-tax losses from £2.26m to £1.35m in the year ended March 31 1993.

The loss was also £200,000 below the forecast made with the 12m rights issue in March. Shareholders' funds had more than doubled and the group was in a much stronger financial position, said Mr Richard Murray, chairman.

VideoLogic's planned expan-

sion continued and its alliance with IBM to produce low cost multimedia solutions had already resulted in the first product, Mediator LC.

Each of the service businesses was profitable and their outlook for the coming year was encouraging with growth expected in all areas.

AVS Broadcast, the television products operation, substantially reduced its loss in the second half and should

improve in the current year.

Turnover in 1992-93 expanded from £17.9m to £23.4m. To the operating loss of £140,000 (£1.53m) VideoLogic contributed £877,000 (£873,000), television products £558,000 (£709,000), and services division profit £1,05m (£164,000).

Discontinued activities accounted for losses of £5,000 (£202,000). Losses per share came to 2.2p (3.4p).

## Hamper side behind 14% rise at Farepak


By Gary Mead, Marketing Correspondent

Farepak, the USM-traded mail order distributor and food processor, achieved a 14 per cent rise in pre-tax profits to £5.51m in the year to April 30.

Turnover rose 12 per cent to £70.5m. The Christmas hamper mail order business lifted sales 15.5 per cent and the total number of agents rose 13 per cent to 55,000. This division provides the bulk of pre-tax profits.

The company was confident that its £8.5m investment in acquiring 20 year access to the mail order database of the Littlewoods Home Shopping Group and the acquisition of the Littlewoods Hamper Business in April this year meant that further strong growth was anticipated this year.

A final dividend of 4.1p brings the total to 5.75p (5p).



# بنك قطر الوطني

## QATAR NATIONAL BANK

### BALANCE SHEET

YEAR ENDED 31 DECEMBER 1992

ASSETS	1992 QR'000	1991 QR'000
Cash and short term funds	448,371	317,144
Deposits with banks and other financial institutions	4,303,500	3,943,298
Loans and advances to customers	9,386,959	8,743,580
Investments	383,105	169,538
Property and equipment	57,237	52,137
Other assets	245,228	327,447
<b>Total Assets</b>	<b>14,826,400</b>	<b>13,563,144</b>

### LIABILITIES & SHAREHOLDERS' FUNDS

Due to banks and other financial institutions	3,530,429	1,686,572
Customers' deposits, provision for general banking risks	9,071,327	9,863,596
Other liabilities	274,796	301,949
Proposed dividends	66,150	56,700
<b>Total Liabilities</b>	<b>12,942,702</b>	<b>11,908,817</b>
<b>Shareholders' Funds</b>		
Share capital	283,500	189,000
Statutory reserve	283,500	189,000
General reserve	1,310,277	1,259,906
Retained earnings	6,421	6,421
<b>Total shareholders' funds</b>	<b>1,883,698</b>	<b>1,644,327</b>
<b>Total Liabilities &amp; Shareholders' Funds</b>	<b>14,826,400</b>	<b>13,563,144</b>
Letters of credit, acceptances, guarantees & other obligations on behalf of customers	4,382,570	2,272,315

### STATEMENT OF INCOME & RETAINED EARNINGS

YEAR ENDED 31 DECEMBER 1992

STATEMENT OF INCOME	1992 QR'000	1991 QR'000
Interest income	1,018,645	1,119,781
Interest expense	684,992	783,803
Net interest income	333,653	335,978
Other income	123,930	88,156
<b>Operating income</b>	<b>457,583</b>	<b>424,134</b>
General and administration expenses	142,460	147,185
Depreciation	9,602	8,917
<b>Total Expenses</b>	<b>152,062</b>	<b>154,102</b>
<b>Profit for the year</b>	<b>305,521</b>	<b>270,032</b>

### STATEMENT OF RETAINED EARNINGS

Balance at beginning of the year	6,421	6,421
Profit for the year	305,521	270,032
<b>Total</b>	<b>311,942</b>	<b>276,453</b>
Transfer to statutory reserve	94,500	-
Transfer to general reserve	50,371	213,332
Proposed dividends	66,150	56,700
Proposed issue of bonus shares	24,500	-
<b>Total</b>	<b>305,521</b>	<b>270,032</b>
<b>Balance at the end of year</b>	<b>6,421</b>	<b>6,421</b>

### Auditors' Report

We have audited the financial statements of Qatar National Bank S.A.Q. in accordance with International Auditing Guidelines. We have obtained all the information and explanations we required for the purpose of our examination.

In our opinion the financial statements present a true and fair view of the state of affairs of the bank at 31 December 1992 and of the results of its operations and the source and application of its funds for the year then ended in accordance with accepted banking practice in Qatar. Furthermore, in our opinion the financial statements comply with Qatar Commercial Companies' Law No.11 of the year 1981 and the bank's articles of association. Also, in our opinion, proper financial records have been kept and the contents of the Directors' report which relate to the financial statements are in agreement with the bank's financial records.

We are not aware of any violations of the above mentioned law or the articles of association having occurred during the year which might have had a material adverse effect on the business of the bank or on its financial position.

A. Mekhael, F.C.C.A.  
Of Ernst & Young  
Auditors Registration No. 59  
Doha, 31 January 1993

### Chairman & Members of the Board of Directors

H.E. Sheikh Mohammed Bin Khalifa Al-Thani	Chairman
H.E. Saleh Abo Dawood Al-Muhanadi	Deputy Chairman
H.E. Sheikh Hamad Bin Faisal Al-Thani	Member
Mr. Haider Suleiman Haider	Member
Mr. Youssef Hussein Kamal	Member
Mr. Abdul Aziz Salatt	Member
Mr. Abdulla AbdulAziz Al-Khatir	Member
Mr. Mohamed Marzouq Al-Shamian	Member
Mr. Nasser Qassem Darwish	Member
Mr. Adel Ali Bin Ali	Member
Mr. Hani Osman El-Dana	General Manager

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## COMMODITIES AND AGRICULTURE

## De Beers' diamond sales up by 42% in first half

By Kenneth Gooding, Mining Correspondent

DIAMOND SALES by De Beers, the South African group which dominates the market, reached an unprecedented \$2.45bn in the first half of this year, 42 per cent above the depressed total for the first six months of 1992.

But the company cited several special factors which helped to boost sales and were "likely to prove transitory" and warned that "it would be unwise to look upon the increased level of sales for the first half as a reliable guide to 1993 as a whole".

Nevertheless, analysts suggested that even an average second-half performance would send De Beers' rough (uncut) diamond sales above the record \$4.17bn seen in 1988 and 1990.

"De Beers' market share must be close to 100 per cent as it is ever likely to get," said Mr Steve Oke, analyst at the Smith New Court financial services group.

De Beers responded to the improvement by increasing its purchases from producers who belong to the cartel organised by its London-based Central Selling Organisation. In September the CSO told producers to cut deliveries by 25 per cent as it struggled to absorb rough diamond supply and demand back into balance following a

huge surge in unofficial exports from Angola.

These "producer delivery entitlements" were raised to 80 per cent in May and yesterday went to 85 per cent. In February the CSO made its first price increase for three years, averaging a modest 1.5 per cent and concentrating mainly on stones above three quarters of a carat in size. De Beers said the transitory elements in its first-half figures included:

● A relative lack of uncut stones from Angola and Zaire, both affected by severe political disruption;

● A shortage of Russian polished diamonds in the first quarter (which analysts suggested was caused by bureaucratic bungling);

● Buoyant demand from India caused both by various budgetary incentives - including the increased convertibility of the Indian currency - and a rise in exports to the US;

● Restocking in the cutting centres and some consumer markets, particularly the US, the most important market for gem diamonds, where Christmas sales were up substantially both in volume and value terms.

De Beers said there had been some recent increase in diamonds from Angola, Zaire and Russia. The US government had sold \$77m worth of rough stones from its strategic stock-

pile and planned more sales later this year. The present market for polished diamonds was not as strong as that for rough stones and no dramatic improvement in retail sales could be expected until there was a resurgence of world economic activity, it added.

Mr Oke at Smith New Court suggested a great deal of De Beers' extra first-half sales came from re-stocking rather than any substantial improvement in retail diamond sales. "The stones are in the pipeline. But if there is no retail action to suck them through, whole-salers will sit tight and buy no more. But even an average second-half sale of \$1.7bn would take 1993 sales to \$4.2bn or \$4.3bn - a significant improvement on recent years."

Mr Michael Spriggs, analyst at the S.G. Warburg financial services group, said the figures pointed to a "welcome reduction in De Beers' diamond stockpile". The group might be able to restore the recent dividend out as well as soon restore the offshore from producers to 100 per cent, he added.

The figures were only slightly ahead of many analysts' expectations and De Beers share price, which had risen to \$150 in early June, fell to \$145 in anticipation of the announcement, was unchanged yesterday at \$131.50.

## Economic gloom hits metal prices

By Kenneth Gooding

THE GLOOMY economic outlook for most of the world's big industrial countries was reflected by metals markets yesterday as nickel prices dropped to the lowest level for 5½ years, lead fell to a seven-year low and tin slipped back towards its recent 20-year low.

With most of continental Europe gripped by recession, recovery in Japan still months away and a far from robust recovery in the US - "the chances of a demand-led boost for metals in the remainder of this year are slim," said Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, a Royal/Dutch Shell subsidiary.

Nickel was also badly affected by a rise in London Metal Exchange stocks reported yesterday following a steady fall totalling 10,000 tonnes in June. Traders said a ship carrying between 6,000 and 12,000 tonnes of Russian nickel had arrived in Europe.

"There is more than enough nickel around to justify a further fall in price," said Mr Viktor Bielski, analyst at Bain & Company, part of the Deutsche Bank Group.

Meanwhile, traders suggested tin for delivery in three months might be on its way to the \$4,900 a tonne, the 20-year low touched recently. Lead, suffering from a huge contraction of demand from European and Japanese car makers, touched \$388 a tonne yesterday before recovering slightly by the close.

## Oil market edges up from lows despite fears of Iraqi return

By Deborah Hargreaves

OIL PRICES edged upwards yesterday after hitting 18-month lows over the weekend, although the market remained nervous about talks between Iraq and the United Nations which are due to begin today. The talks will cover the sale of \$1.6bn-worth of Iraqi oil to the export market to pay for humanitarian aid.

"We're all biting our nails," said one oil company trader. Oil prices rose by about 20 cents to \$17.35 a barrel as some market traders suggested that there had been an overreaction to last week's fears of an Iraqi return when prices plunged to \$16.80 a barrel.

"I think the chances of Iraqi oil coming back have improved from zero to say, 12 per cent. It's still not a done deal," said Mr Vahan Zanyan, director at Petroleum Finance Company,

the management consultants in Washington.

Baghdad has signalled that it is softening its hostility to certain conditions attached to the oil sale, such as the monitoring of sales by the UN. The UN has also insisted that it keep the proceeds of the sale for buying food and medicines which it will then distribute.

The New York talks are expected to last at least two weeks as they will focus on wide-ranging issues such as Iraq's compliance with UN weapons inspections and Baghdad's treatment of the Kurds.

The talks are likely to examine many technical aspects of the UN's conditions. If agreement is reached it could then take more than a month for Iraqi oil to appear on the market. That would give the Organisation of Petroleum Exporting Countries time to hold an emergency meeting to

decide how to accommodate 500,000 to 600,000 barrels of Iraqi oil a day in the market.

Mr Jean Ping, of Gabon, the present Opec president, has signalled that he sees no immediate need for an emergency meeting and has kept in touch with other ministers by telephone.

If the Iraqi oil does not reach the market before the final quarter, it will be accommodated more easily as demand for Opec oil is forecast to rise by about 1m b/d by then.

The immediate problem for the market is the high level of stocks held in the US and Europe. The International Energy Agency - the west's energy monitoring body - said in its latest oil report that the rate of stocks had increased at a rate of 1.4m barrels a day during May. Refineries had been buying forward because of cheap crude prices, it added.

## World offshore output forecast to rise

By Deborah Hargreaves

WORLD OFFSHORE oil production is forecast to rise by 18 per cent to 943m tonnes by 1995 with most of the increase coming from the UK and Norwegian sectors of the North Sea, according to a report released today by Mackay Consultants, the management consulting group.

Mackay expects North Sea offshore output to increase by 41 per cent with Norway remaining the world's largest offshore producer for the rest of the decade. But the report suggests

world-wide exploration activity will be fairly static. Although the number of exploration wells is expected to rise from 1,017 last year to 1,134 in 1995, that would still be below the level of drilling in 1991.

The report shows a 30 per cent drop in exploration and appraisal drilling in the UK with around 105 wells being sunk by 1995. Mackay says it has reduced its forecasts as a result of changes to Petroleum Revenue Taxes announced in the UK March Budget, which abolished tax relief for exploration work.

Expenditure on the offshore sector worldwide is estimated to grow by 3 per cent in the next two years to \$34bn. But spending in the UK sector is expected to fall from \$3.8bn last year to \$5.6bn in 1995 as the emphasis shifts towards developing smaller fields.

World offshore gas production is forecast to grow by 18 per cent by 1995 to 422m cubic metres.

Prospects for the World Offshore Oil and Gas Industry 1993-1995, Mackay Consultants, Ballantyne House, 84 Academy Street, Inverness, IV1 1LU, Price: £500.

## Companies confident on Azeri deal

By John Lloyd in Baku

WESTERN OIL companies hoping for contracts from the exploitation of the massive reserves of the Caspian Sea are increasingly confident that the new government of Azerbaijan will be persuaded to retain the same general course as the previous one, and that contracts worth ultimately up to \$12bn should be signed in the autumn.

Some oil men in Baku believe that Mr Sabit Bagirov, the head of the state oil company Socar, who had apparently resigned more than a week ago, will remain in his post after all.

"Bagirov has learned a lot about how to deal with the oil companies and he's an honest man," said Mr Oguz Capan, president of the Atilla Dogan corporation of Turkey, the first company to sign a contract for the exploitation of on-shore reserves 100 km south of Baku. "I think he'll stay."

About 4.5bn barrels of reserves have been proved or estimated in the Azeri part of the Caspian and more is expected. Investment of between \$9bn and \$12bn will go into the field.

The oil companies, which include Amoco, BP, Pennzoil and Statoil, had agreed in principle with the populist government of Mr Abulfaz Elchibey, before it was replaced recently by hardliners, to unify their approach to the field.

However, the new leadership this week reassured senior company officials that it wished to continue co-operation with them.

## New York coffee prices surge higher

By David Blackwell

THE NEW YORK arabica coffee market, closed on Monday for Independence Day, surged ahead yesterday in reaction to the Latin American plan to retain 90 per cent of coffee exports from October 1.

The nearby July contract was up 5.50 cents a lb at 69.05 cents a lb in late trading. Robusta coffee on the London Commodity Exchange followed New York upwards. The September contract added a fur-

ther \$24 to Monday's \$24 advance, closing at \$977 a tonne after touching a high of \$1,000 earlier in the day.

Ms Judy Ganes, analyst with Merrill Lynch in New York, said the move was purely psychological, pointing out that "the Latin American scheme does not address the problems of overproduction". Ms Ganes also believes that estimates of 20m bags (90 kg each) in consumer hands are grossly understated, and will rise further as producers take advan-

tage of higher prices. "Remember that this scheme will not kick in for another three months," she said.

Much of the drive behind the price rise was short-covering, which then triggered stop-loss buying orders and attracted further speculative and fund buying. But one London trader pointed out that coffee buyers had plenty of time to take the long view, and they will be waiting to see how the details of the Latin American scheme are worked out.

## MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets). \$ per lb, in warehouse, 9.50-10.00 (9.20-10.00).

ANTIMONY: European free market, min. 99.50 per cent, \$ per tonne, in warehouse, 1,540-1,580 (1,540-1,600).

BISMUTH: European free market, min. 99.99 per cent, \$ per lb, in warehouse, 2.25-2.50 (same).

CADMIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 0.44-0.50 (same).

COBALT: MB free market, 99.9 per cent, \$ per lb, in ware-

house, 12.30-13.35 (12.30-13.30); 99.3 per cent, \$ per lb, in warehouse, 9.50-10.00 (9.20-10.00).

MERCURY: European free market, min. 99.99 per cent, \$ per 76 lb flask, in warehouse, 115-135 (same).

MOLYBDENUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 4.70-5.40.

TUNGSTEN ORE: European free market, standard min. 65

per cent, \$ per tonne unit (10 kg) WO<sub>3</sub>, cif, 27-39 (same).

VANADIUM: European free market, min. 98 per cent, \$ a lb V<sub>2</sub>O<sub>5</sub>, cif, 1.30-1.40 (same).

URANIUM: Nuxco exchange value, \$ per lb, U<sub>3</sub>O<sub>8</sub>, 7.00 (7.10).

LINE WAREHOUSE STOCKS (As at Monday's close)

Aluminium 1,170 to 1,501,075  
Copper 1,175 to 446,800  
Lead 1,175 to 281,600  
Nickel 1,175 to 80,850  
Zinc 1,175 to 697,475  
Tin 1,175 to 20,365

## Bleak picture painted of Canadian fishery prospects

By Bernard Simon in Toronto

SCIENTISTS HAVE painted a bleak picture of Canada's east coast fishery, warning that a substantial and permanent cut in the catch is required to rebuild stocks of cod and other fish species.

The scientists, employed by Canada's department of fisheries, presented a detailed report in Halifax, Nova Scotia,

yesterday at the first public meeting of the Fisheries Resource Conservation Council, a joint government, industry and scientific group with a mandate to advise the government on annual fishing quotas and fishery practices.

The FRCC's work is expected to play a crucial part in drawing up Canada's case to the North Atlantic Fishing Organisation, which sets an annual

quota each autumn for the area outside Canada's territorial waters.

The east coast fishery has been devastated in recent years by the virtual disappearance of northern cod stocks. The Canadian government imposed a two-year moratorium off the coast of Newfoundland last July, putting about 20,000 fishermen and plant employees out of work.

Government officials have indicated recently that the moratorium may be extended beyond 1994 and to other parts of the Atlantic coast.

Mr Herbert Clarke, the FRCC's chairman, said yesterday that "the state of the stocks has worsened dramatically in the last few years. Many are in decline and a number of stocks are at historical low levels".

The scientific report noted that past assessments had generally over-estimated potential catches. It warned that "immediate and medium-term prospects [for rebuilding stocks] are poor", adding that "the necessary drastic reductions in fishing mortalities can only be achieved by substantially decreasing fishing effort and these reductions need to be permanent".

## Norway calls for correction of deficiencies in EC regime

By Karen Fossil in Oslo

NORWAY YESTERDAY spelt out a long list of demands on fisheries to the European Community and pointed out deficiencies in the EC's regime that would have to be corrected if it was to become a member.

"The outcome of the membership negotiations in this

area will play a decisive role in determining the public attitude on Norwegian accession to the community," it warned Brussels officials.

Mr Jan Henry T. Olsen, the anti-EC fisheries minister, reiterated that Norway had no more fish to give away to the community.

"Norway failed to get the backing for EC membership in

a 1972 referendum partly because the community adopted a fisheries policy shortly before it was going to make the decision to join.

Key issues in the discussions this time include mutual access to waters, management and conservation, control of quotas and technical regulations, structural matters, market access and market

organisation. Norway attached the greatest importance to the continuation of its regime ensuring control and sustainable management of marine resources and aquaculture activities.

It said recognition by the EC of the fundamental relationship between Norway's coastal population settlements and

fish resources was essential. Norway demanded arrangements to ensure that fishing quotas remained at the disposal of member states to which they had been allocated. It attached particular importance to stringent enforcement of quotas and technical regulations while insisting that it must be allowed to uphold its own first-hand sales system.

## MARKET REPORT

Precious metals were sharply higher on the London bullion market as aggressive US fund activity followed Middle East speculative buying in the morning to push GOLD, SILVER and PLATINUM to fresh highs. Gold was fixed in the afternoon at \$391.65 a troy ounce, a fresh high since the outbreak of the Gulf War, against a morning setting of \$388. Silver built on overnight and early gains to reach \$5.07 a troy ounce at its fix, a 35-month high. Platinum jumped over \$10 from morning levels to fix in the afternoon at a 27-month high of \$404.25 a troy ounce after \$393.50 earlier. The

speculative buying began with silver during the overnight Far East session and then spilled over into gold and platinum. "There were some extremely large orders being put around," one dealer said. Despite bouts of offer-taking in New York, aggressive fund buying of gold, silver and platinum maintained early highs. London dealers said the gold market would now be looking for a strong close in New York as a sign that \$400 is on the cards. "We'll see it some time this week, but we'll probably get a minor pull-back first," said a New York dealer.

Compiled from Reuters

## London Markets

SPOT MARKETS

Crude oil (per barrel FOB) - \$ or -  
Dated \$14.80-14.85 +0.27  
Brent Blend (dated) \$17.15-17.15 +0.24  
Brent Blend (dated) \$17.15-17.15 +0.24  
WTI (1st cut) \$16.35-16.41

Oil products  
PME prompt delivery per tonne FOB - \$ or -  
Premium Gasoline \$165-166 +1.5  
Gas Oil \$170-172 +4  
Heavy Fuel Oil \$170-172 +4  
Petroleum Argus Estimates

Other - \$ or -  
Gold (per troy oz) \$391.75 +3.8  
Silver (per troy oz) \$506.50 +20  
Platinum (per troy oz) \$404.25 +11.5  
Palladium (per troy oz) \$140.25 +3

Copper (US Producer) \$60.00  
Lead (US Producer) \$44.00  
Tin (US Producer) \$120.00  
Zinc (US Prime Western) \$235.50  
Zinc (US Prime Western) \$235.00

Cattle (live weight) \$18.57 -0.87  
Sheep (live weight) \$10.71 -1.14  
Pigs (live weight) \$3.80 -3.07

London daily sugar (white) \$275.50  
London daily sugar (white) \$275.00  
Take and live export price \$234.50

Barley (English seed) \$100.00 -1.5  
Maize (US No. 3 yellow) \$168.5  
Wheat (US No. 3 yellow) \$147.50

Rubber (RSS No. 1) \$50.00  
Rubber (RSS No. 2) \$49.00  
Rubber (RSS No. 3) \$48.00  
Cocoa (Philippine) \$480.00 +10  
Cocoa (Philippine) \$480.00 +10  
Cocoa (Philippine) \$480.00 +10  
Cocoa (Philippine) \$480.00 +10

SUGAR - LCE (\$ per tonne)

White Close Previous High/Low  
Oct 276.00 278.30 277.80 275.00  
Oct 271.30 271.50 274.50 270.10  
Nov 271.30 271.50 274.50 270.10  
May 276.50 278.80 278.50

White 254 (315) Paria (PFF) per tonne; Aug 1999-08 Oct 1991-73

CRUDE OIL - IPE (\$/bbl)

Aug 17.11 16.83 17.20 16.95  
Sep 17.24 17.07 17.31 17.10  
Oct 17.29 17.12 17.47 17.28  
Nov 17.25 17.40 17.60 17.48  
Dec 17.75 17.72 17.75 17.88  
Jan 17.82 17.85 17.82 17.82  
Feb 16.91 16.93 16.91 16.91

Turnover \$117 (1600)

GAS OIL - IPE (\$/bbl)

Jul 161.75 160.25 162.75 160.25  
Aug 161.75 161.25 162.75 160.25  
Sep 162.25 162.50 164.25 160.00  
Oct 166.00 165.75 167.25 160.00  
Nov 168.00 168.00 169.75 160.00  
Dec 170.50 170.50 171.30 170.50  
Jan 171.50 171.75 171.75 171.50  
Feb 171.25 171.25 171.25 170.50  
Mar 168.25 169.25 169.25 168.00

Turnover 20915 (6330) lots of 100 tonnes

POTATOES - LCE (\$/tonne)

Close Previous High/Low  
Jul 95.2 95.2 95.2 95.2  
Aug 95.2 95.2 95.2 95.2  
Sep 95.2 95.2 95.2 95.2  
Oct 95.2 95.2 95.2 95.2  
Nov 95.2 95.2 95.2 95.2  
Dec 95.2 95.2 95.2 95.2  
Jan 95.2 95.2 95.2 95.2  
Feb 95.2 95.2 95.2 95.2  
Mar 95.2 95.2 95.2 95.2

Turnover 44 (110) lots of 30 tonnes

SOYABEANS - LCE (\$/tonne)

Close Previous High/Low  
Oct 162.50 162.50  
Dec 168.00 168.00  
Turnover 50 (50) lots of 20 tonnes

FRUIT & LCE (\$/index point)

Close Previous High/Low  
Jul 1290 1290 1290 1290  
Aug 1290 1290 1290 1290  
Sep 1290 1290 1290 1290  
Oct 1290 1290 1290 1290  
Nov 1290 1290 1290 1290  
Dec 1290 1290 1290 1290  
Jan 1290 1290 1290 1290  
Feb 1290 1290 1290 1290  
Mar 1290 1290 1290 1290

Turnover 77 (80)

GRAPES - LCE (\$/tonne)

Close Previous High/Low  
Jul 108.75 108.85 108.75 108.50  
Aug 108.75 108.85 108.75 108.50  
Sep 108.75 108.85 108.75 108.50  
Oct 108.75 108.85 108.75 108.50  
Nov 108.75 108.85 108.75 108.50  
Dec 108.75 108.85 108.75 108.50  
Jan 108.75 108.85 108.75 108.50  
Feb 108.75 108.85 108.75 108.50  
Mar 108.75 108.85 108.75 108.50

## WORLD COMMODITIES PRICES

LONDON METAL EXCHANGE (Prices supplied by Associated Metal Trading)

Aluminium 99.7% purity (\$ per tonne)  
Close Previous High/Low  
Oct 1230-1 1230-1 1231-1.5  
2 months 1230-1 1230-1 1231-1.5  
3 months 1230-1 1230-1 1231-1.5  
Copper, Grade A (\$ per tonne)  
Close Previous High/Low  
Oct 1948-7.5 1948-7.5 1949-8.5  
2 months 1948-7.5 1948-7.5 1949-8.5  
3 months 1948-7.5 1948-7.5 1949-8.5  
Lead (\$ per tonne)  
Close Previous High/Low  
Oct 384-5.5 384-5.5 385-6.5  
2 months 384-5.5 384-5.5 385-6.5  
3 months 384-5.5 384-5.5 385-6.5  
Nickel (\$ per tonne)  
Close Previous High/Low  
Oct 5135-30 5135-30 5135-40  
2 months 5135-30 5135-30 5135-40  
3 months 5135-30 5135-30 5135-40  
Zinc (\$ per tonne)  
Close Previous High/Low  
Oct 4955-35 4955-35 4955-45  
2 months 4955-35 4955-35 4955-45  
3 months 4955-35 4955-35 4955-45  
Zinc, Special High Grade (\$ per tonne)  
Close Previous High/Low  
Oct 918-20 918-20 918-20  
2 months 918-20 918-20 918-20  
3 months 918-20 918-20 918-20  
LME Closing US\$ rate  
SPOT: 1.5094 3 months: 1.4995 6 months: 1.4807  
Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz) \$ price £ equivalent  
Close Previous High/Low  
Oct 391.65 391.65 391.65  
2 months 391.65 391.65 391.65  
3 months 391.65 391.65 391.65  
Afternoon fix 391.65 391.65 391.65  
Nov 391.65 391.65 391.65  
Days' low 391.65 391.65 391.65  
LME Gold (troy oz) \$ price £ equivalent  
Close Previous High/Low  
Oct 391.65 391.65 391.65  
2 months 391.65 391.65 391.65  
3 months 391.65 391.65 391.65  
Platinum 50 troy oz \$ price £ equivalent  
Close Previous High/Low  
Oct 408.9 408.9 408.9  
2 months 408.9 408.9 408.9  
3 months 408.9 408.9 408.9  
Silver 50 troy oz \$ price £ equivalent  
Close Previous High/Low  
Oct 408.9 408.9 408.9  
2 months 408.9 408.9 408.9  
3 months 408.9 408.9 408.9



**INVESTMENT TRUSTS - Con**

200	145	97	62	234.3	5.8
199	145	97	62	232.4	5.8
198	145	97	62	230.5	5.8
197	145	97	62	228.6	5.8
196	145	97	62	226.7	5.8
195	145	97	62	224.8	5.8
194	145	97	62	222.9	5.8
193	145	97	62	221.0	5.8
192	145	97	62	219.1	5.8
191	145	97	62	217.2	5.8
190	145	97	62	215.3	5.8
189	145	97	62	213.4	5.8
188	145	97	62	211.5	5.8
187	145	97	62	209.6	5.8
186	145	97	62	207.7	5.8
185	145	97	62	205.8	5.8
184	145	97	62	203.9	5.8
183	145	97	62	202.0	5.8
182	145	97	62	200.1	5.8
181	145	97	62	198.2	5.8
180	145	97	62	196.3	5.8
179	145	97	62	194.4	5.8
178	145	97	62	192.5	5.8
177	145	97	62	190.6	5.8
176	145	97	62	188.7	5.8
175	145	97	62	186.8	5.8
174	145	97	62	184.9	5.8
173	145	97	62	183.0	5.8
172	145	97	62	181.1	5.8
171	145	97	62	179.2	5.8
170	145	97	62	177.3	5.8
169	145	97	62	175.4	5.8
168	145	97	62	173.5	5.8
167	145	97	62	171.6	5.8
166	145	97	62	169.7	5.8
165	145	97	62	167.8	5.8
164	145	97	62	165.9	5.8
163	145	97	62	164.0	5.8
162	145	97	62	162.1	5.8
161	145	97	62	160.2	5.8
160	145	97	62	158.3	5.8
159	145	97	62	156.4	5.8
158	145	97	62	154.5	5.8
157	145	97	62	152.6	5.8
156	145	97	62	150.7	5.8
155	145	97	62	148.8	5.8
154	145	97	62	146.9	5.8
153	145	97	62	145.0	5.8
152	145	97	62	143.1	5.8
151	145	97	62	141.2	5.8
150	145	97	62	139.3	5.8
149	145	97	62	137.4	5.8
148	145	97	62	135.5	5.8
147	145	97	62	133.6	5.8
146	145	97	62	131.7	5.8
145	145	97	62	129.8	5.8
144	145	97	62	127.9	5.8
143	145	97	62	126.0	5.8
142	145	97	62	124.1	5.8
141	145	97	62	122.2	5.8
140	145	97	62	120.3	5.8
139	145	97	62	118.4	5.8
138	145	97	62	116.5	5.8
137	145	97	62	114.6	5.8
136	145	97	62	112.7	5.8
135	145	97	62	110.8	5.8
134	145	97	62	108.9	5.8
133	145	97	62	107.0	5.8
132	145	97	62	105.1	5.8
131	145	97	62	103.2	5.8
130	145	97	62	101.3	5.8
129	145	97	62	99.4	5.8
128	145	97	62	97.5	5.8
127	145	97	62	95.6	5.8
126	145	97	62	93.7	5.8
125	145	97	62	91.8	5.8
124	145	97	62	89.9	5.8
123	145	97	62	88.0	5.8
122	145	97	62	86.1	5.8
121	145	97	62	84.2	5.8
120	145	97	62	82.3	5.8
119	145	97	62	80.4	5.8
118	145	97	62	78.5	5.8
117	145	97	62	76.6	5.8
116	145	97	62	74.7	5.8
115	145	97	62	72.8	5.8
114	145	97	62	70.9	5.8
113	145	97	62	69.0	5.8
112	145	97	62	67.1	5.8
111	145	97	62	65.2	5.8
110	145	97	62	63.3	5.8
109	145	97	62	61.4	5.8
108	145	97	62	59.5	5.8
107	145	97	62	57.6	5.8
106	145	97	62	55.7	5.8
105	145	97	62	53.8	5.8
104	145	97	62	51.9	5.8
103	145	97	62	50.0	5.8
102	145	97	62	48.1	5.8
101	145	97	62	46.2	5.8
100	145	97	62	44.3	5.8
99	145	97	62	42.4	5.8
98	145	97	62	40.5	5.8
97	145	97	62	38.6	5.8
96	145	97	62	36.7	5.8
95	145	97	62	34.8	5.8
94	145	97	62	32.9	5.8
93	145	97	62	31.0	5.8
92	145	97	62	29.1	5.8
91	145	97	62	27.2	5.8
90	145	97	62	25.3	5.8
89	145	97	62	23.4	5.8
88	145	97	62	21.5	5.8
87	145	97	62	19.6	5.8
86	145	97	62	17.7	5.8
85	145	97	62	15.8	5.8
84	145	97	62	13.9	5.8
83	145	97	62	12.0	5.8
82	145	97	62	10.1	5.8
81	145	97	62	8.2	5.8
80	145	97	62	6.3	5.8
79	145	97	62	4.4	5.8
78	145	97	62	2.5	5.8
77	145	97	62	0.6	5.8
76	145	97	62	-1.3	5.8
75	145	97	62	-3.2	5.8
74	145	97	62	-5.1	5.8
73	145	97	62	-7.0	5.8
72	145	97	62	-8.9	5.8
71	145	97	62	-10.8	5.8
70	145	97	62	-12.7	5.8
69	145	97	62	-14.6	5.8
68	145	97	62	-16.5	5.8
67	145	97	62	-18.4	5.8
66	145	97	62	-20.3	5.8
65	145	97	62	-22.2	5.8
64	145	97	62	-24.1	5.8
63	145	97	62	-26.0	5.8
62	145	97	62	-27.9	5.8
61	145	97	62	-29.8	5.8
60	145	97	62	-31.7	5.8
59	145	97	62	-33.6	5.8
58	145	97	62	-35.5	5.8
57	145	97	62	-37.4	5.8
56	145	97	62	-39.3	5.8
55	145	97	62	-41.2	5.8
54	145	97	62	-43.1	5.8
53	145	97	62	-45.0	5.8
52	145	97	62	-46.9	5.8
51	145	97	62	-48.8	5.8
50	145	97	62	-50.7	5.8
49	145	97	62	-52.6	5.8
48	145	97	62	-54.5	5.8
47	145	97	62	-56.4	5.8
46	145	97	62	-58.3	5.8
45	145	97	62	-60.2	5.8
44	145	97	62	-62.1	5.8
43	145	97	62	-64.0	5.8
42	145	97	62	-65.9	5.8
41	145	97	62	-67.8	5.8
40	145	97	62	-69.7	5.8
39	145	97	62	-71.6	5.8
38	145	97	62	-73.5	5.8
37	145	97	62	-75.4	5.8
36	145	97	62	-77.3	5.8
35	145	97	62	-79.2	5.8
34	145	97	62	-81.1	5.8
33	145	97	62	-83.0	5.8
32	145	97	62	-84.9	5.8
31	145	97	62	-86.8	5.8
30	145	97	62	-88.7	5.8
29	145	97	62	-90.6	5.8
28	145	97	62	-92.5	5.8
27	145	97	62	-94.4	5.8
26	145	97	62	-96.3	5.8
25	145	97	62	-98.2	5.8
24	145	97	62	-100.1	5.8
23	145	97	62	-102.0	5.8
22	145	97	62	-103.9	5.8
21	145	97	62	-105.8	5.8
20	145	97	62	-107.7	5.8
19	145	97	62	-109.6	5.8
18	145	97	62	-111.5	5.8
17	145	97	62	-113.4	5.8
16	145	97	62	-115.3	5.8
15	145	97	62	-117.2	5.8
14	145	97	62	-119.1	5.8
13	145	97	62	-121.0	5.8
12	145	97	62	-122.9	5.8
11	145	97	62	-124.8	5.8
10	145	97	62	-126.7	5.8
9	145	97	62	-128.6	5.8
8	145	97	62	-130.5	5.8
7	145	97	62	-132.4	5.8
6	145	97	62	-134.3	5.8
5	145	97	62	-136.2	5.8
4	145	97	62	-138.1	5.8
3	145	97	62	-140.0	5.8
2	145	97	62	-141.9	5.8
1	145	97	62	-143.8	5.8
0	145	97	62	-145.7	5.8

94	73	12.2	65.0	18.8
94	77	3.8	103.0	8.7
94	80	7.4	103.0	2.3
94	84	1.2	89.5	23.3
94	88	1.4	8.0	-
134	124	4.9	130.0	0.0

716	177	147	248.6	94.1
717	178	148	249.6	94.1
718	179	149	250.6	94.1
719	180	150		
720	181	151	252.6	94.1
721	182	152	253.6	94.1
722	183	153	254.6	94.1
723	184	154	255.6	94.1
724	185	155	256.6	94.1
725	186	156	257.6	94.1
726	187	157	258.6	94.1
727	188	158	259.6	94.1
728	189	159	260.6	94.1
729	190	160	261.6	94.1
730	191	161	262.6	94.1
731	192	162	263.6	94.1
732	193	163	264.6	94.1
733	194	164	265.6	94.1
734	195	165	266.6	94.1
735	196	166	267.6	94.1
736	197	167	268.6	94.1
737	198	168	269.6	94.1
738	199	169	270.6	94.1
739	200	170	271.6	94.1
740	201	171	272.6	94.1
741	202	172	273.6	94.1
742	203	173	274.6	94.1
743	204	174	275.6	94.1
744	205	175	276.6	94.1
745	206	176	277.6	94.1
746	207	177	278.6	94.1
747	208	178	279.6	94.1
748	209	179	280.6	94.1
749	210	180	281.6	94.1
750	211	181	282.6	94.1
751	212	182	283.6	94.1
752	213	183	284.6	94.1
753	214	184	285.6	94.1
754	215	185	286.6	94.1
755	216	186	287.6	94.1
756	217	187	288.6	94.1
757	218	188	289.6	94.1
758	219	189	290.6	94.1
759	220	190	291.6	94.1
760	221	191	292.6	94.1
761	222	192	293.6	94.1
762	223	193	294.6	94.1
763	224	194	295.6	94.1
764	225	195	296.6	94.1
765	226	196	297.6	94.1
766	227	197	298.6	94.1
767	228	198	299.6	94.1
768	229	199	300.6	94.1
769	230	200	301.6	94.1
770	231	201	302.6	94.1
771	232	202	303.6	94.1
772	233	203	304.6	94.1
773	234	204	305.6	94.1
774	235	205	306.6	94.1
775	236	206	307.6	94.1
776	237	207	308.6	94.1
777	238	208	309.6	94.1
778	239	209	310.6	94.1
779	240	210	311.6	94.1
780	241	211	312.6	94.1
781	242	212	313.6	94.1
782	243	213	314.6	94.1
783	244	214	315.6	94.1
784	245	215	316.6	94.1
785	246	216	317.6	94.1
786	247	217	318.6	94.1
787	248	218	319.6	94.1
788	249	219	320.6	94.1
789	250	220	321.6	94.1
790	251	221	322.6	94.1
791	252	222	323.6	94.1
792	253	223	324.6	94.1
793	254	224	325.6	94.1
794	255	225	326.6	94.1
795	256	226	327.6	94.1
796	257	227	328.6	94.1
797	258	228	329.6	94.1
798	259	229	330.6	94.1
799	260	230	331.6	94.1
800	261	231	332.6	94.1

175	189	4.5	55.6	21.6
176	184	3.4	53.8	15.0
177	183	3.4	57.6	1.5
178	181	4.7	62.5	11.6
179	181	4.7	62.5	11.6
180	181	4.7	62.5	11.6
181	181	4.7	62.5	11.6
182	181	4.7	62.5	11.6
183	181	4.7	62.5	11.6
184	181	4.7	62.5	11.6
185	181	4.7	62.5	11.6
186	181	4.7	62.5	11.6
187	181	4.7	62.5	11.6
188	181	4.7	62.5	11.6
189	181	4.7	62.5	11.6
190	181	4.7	62.5	11.6
191	181	4.7	62.5	11.6
192	181	4.7	62.5	11.6
193	181	4.7	62.5	11.6
194	181	4.7	62.5	11.6
195	181	4.7	62.5	11.6
196	181	4.7	62.5	11.6
197	181	4.7	62.5	11.6
198	181	4.7	62.5	11.6
199	181	4.7	62.5	11.6
200	181	4.7	62.5	11.6
201	181	4.7	62.5	11.6
202	181	4.7	62.5	11.6
203	181	4.7	62.5	11.6
204	181	4.7	62.5	11.6
205	181	4.7	62.5	11.6
206	181	4.7	62.5	11.6
207	181	4.7	62.5	11.6
208	181	4.7	62.5	11.6
209	181	4.7	62.5	11.6
210	181	4.7	62.5	11.6
211	181	4.7	62.5	11.6
212	181	4.7	62.5	11.6
213	181	4.7	62.5	11.6
214	181	4.7	62.5	11.6
215	181	4.7	62.5	11.6
216	181	4.7	62.5	11.6
217	181	4.7	62.5	11.6
218	181	4.7	62.5	11.6
219	181	4.7	62.5	11.6
220	181	4.7	62.5	11.6
221	181	4.7	62.5	11.6
222	181	4.7	62.5	11.6
223	181	4.7	62.5	11.6
224	181	4.7	62.5	11.6
225	181	4.7	62.5	11.6
226	181	4.7	62.5	11.6
227	181	4.7	62.5	11.6
228	181	4.7	62.5	11.6
229	181	4.7	62.5	11.6
230	181	4.7	62.5	11.6
231	181	4.7	62.5	11.6
232	181	4.7	62.5	11.6
233	181	4.7	62.5	11.6
234	181	4.7	62.5	11.6
235	181	4.7	62.5	11.6
236	181	4.7	62.5	11.6
237	181	4.7	62.5	11.6
238	181	4.7	62.5	11.6
239	181	4.7	62.5	11.6
240	181	4.7	62.5	11.6
241	181	4.7	62.5	11.6
242	181	4.7	62.5	11.6
243	181	4.7	62.5	11.6
244	181	4.7	62.5	11.6
245	181	4.7	62.5	11.6
246	181	4.7	62.5	11.6
247	181	4.7	62.5	11.6
248	181	4.7	62.5	11.6
249	181	4.7	62.5	11.6
250	181	4.7	62.5	11.6
251	181	4.7	62.5	11.6
252	181	4.7	62.5	11.6
253	181	4.7	62.5	11.6
254	181	4.7	62.5	11.6
255	181	4.7	62.5	11.6
256	181	4.7	62.5	11.6
257	181	4.7	62.5	11.6
258	181	4.7	62.5	11.6
259	181	4.7	62.5	11.6
260	181	4.7	62.5	11.6
261	181	4.7	62.5	11.6

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**LONDON SHARE SERVICE****MINES - Cont.**

INVESTMENT TRUSTS - Cont.									
Company	Price	Yield	Div	Yield	Div	Yield	Div	Yield	Div
Investment Co. of America	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Canada	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Europe	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Japan	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Korea	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Latin America	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Mexico	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of New Zealand	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Oceania	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of South Africa	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Switzerland	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Taiwan	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Thailand	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of United Kingdom	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of United States	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of West Germany	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Yugoslavia	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Zaire	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Zimbabwe	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Australia	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Belgium	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Canada	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Denmark	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of France	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Germany	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Greece	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Hong Kong	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of India	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Italy	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Japan	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Korea	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Latin America	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Mexico	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of New Zealand	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Oceania	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of South Africa	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Switzerland	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Taiwan	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of Thailand	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of United Kingdom	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of United States	100	4.5	1.00	4.5	1.00	4.5	1.00	4.5	1.00
Investment Co. of West Germany	100	4.5	1.00	4.5	1.00	4.5			



● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (717) 673-4378 for more details.

## INSURANCES

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**CANAD**

CANADA										
Sales	Stock	High	Low	Close	Change	Sales	Stock	High	Low	
TORONTO										
4 p.m. close July 6										
Dow Jones Industrial Average S										
125555	Alcan	513 1/2	134	131 1/2	+ 1/2	7020	Dominion A	31	30	30
127208	Alcan	513 1/2	134	131 1/2	+ 1/2	5100	Dominion B	325	8025	325 - 10
42500	Alcan	385	370	375	- 5	26220	Dominion C	514 1/2	14 1/2	+ 1/2
5000	Alcan	385	370	375	- 5	7074	Dominion D	10 1/2	10 1/2	+ 1/2
25270	Alcan	385	370	375	- 5	5187	Dominion E	37 1/2	7 1/2	+ 1/2
118200	Alcan	385	370	375	- 5	4900	Dominion F	48 1/2	48 1/2	+ 1/2
113400	Alcan	385	370	375	- 5	16820	Dominion G	48 1/2	48 1/2	+ 1/2
54050	Alcan	385	370	375	- 5	30200	Dominion H	48 1/2	48 1/2	+ 1/2
8100	Alcan	385	370	375	- 5	100	FP Ltd	380	380	- 5
147880	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	18920	FP Ltd	380	380	- 5
106780	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	870	FP Ltd	380	380	- 5
25270	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	170	FP Ltd	380	380	- 5
237100	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	12757	FP Ltd	380	380	- 5
37050	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	7020	FP Ltd	380	380	- 5
33200	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	870	FP Ltd	380	380	- 5
80518	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	170	FP Ltd	380	380	- 5
124200	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	12757	FP Ltd	380	380	- 5
48400	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	7020	FP Ltd	380	380	- 5
33200	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	870	FP Ltd	380	380	- 5
7572	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	170	FP Ltd	380	380	- 5
4320	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	12757	FP Ltd	380	380	- 5
11500	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	7020	FP Ltd	380	380	- 5
6000	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	870	FP Ltd	380	380	- 5
6000	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	170	FP Ltd	380	380	- 5
6000	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	12757	FP Ltd	380	380	- 5
6000	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	7020	FP Ltd	380	380	- 5
6000	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	870	FP Ltd	380	380	- 5
6000	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	170	FP Ltd	380	380	- 5
6000	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	12757	FP Ltd	380	380	- 5
6000	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	7020	FP Ltd	380	380	- 5
6000	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	870	FP Ltd	380	380	- 5
6000	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	170	FP Ltd	380	380	- 5
6000	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	12757	FP Ltd	380	380	- 5
6000	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	7020	FP Ltd	380	380	- 5
6000	BC Mount	452 1/2	26 1/2	26 1/2	- 1/2	870	FP Ltd			

**FAR MORE THAN FINANCE.**

1 PM class, July 5

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Continued on next page.



## AMERICA

## Equities unsettled by US economic fears

## Wall Street

ANOTHER rise in bond prices failed to lift US equity markets, which remained unsettled by the recent release of disappointing economic data, writes Patrick Harverson in New York.

At 1 pm, the Dow Jones Industrial Average was up 0.55 at 3,494.52. The more broadly based Standard & Poor's 500 was up 0.40 at 446.24, while the Amex composite was down 0.51 at 434.78, and the Nasdaq composite up 0.67 at 705.16. Trading volume on the NYSE was 125m shares by 1 pm.

Prices were trapped in a narrow trading range throughout the morning, never breaking more than a few points above or below opening values. Many investors and dealers were reluctant to trade equities because of doubts about the outlook for the economy and the approaching second quarter reporting season.

Even strong overseas stock markets, and another jump in bond prices, which sent the yield on the benchmark 30-year bond to a record low of 5.664 per cent, failed to stimulate buying interest.

Foreign stocks were boosted

by last week's cut in German interest rates, while bond prices rose on reports that the poor June jobs figures would persuade the Federal Reserve to postpone any plans for an inflation-curbing rise in US rates.

General Motors surged 1 1/4

SAO PAULO put on 3 per cent in moderate midsession trade, the Bovespa index rising 1,642 to 56,502 by 1.00 pm local time. Midday volume was Cr\$3.6 trillion (\$67.5m).

The state-run telecoms combine Telebras climbed 3.7 per cent to Cr\$1,660 and mining giant Vale do Rio Doce turned in a 4.5 per cent gain at Cr\$3,970.

to 44% on reports that Wall Street analysts were turning increasingly bullish on the stock in the wake of improvements in the company's product line. Ford rose 3/4% at 44% and Chrysler 3/4% at 44%.

Selected technology stocks

were hard hit by analysts' downgrades. Hewlett-Packard tumbled 3/4% to 76 1/4% in volume of almost 1m shares after SoundView Financial lowered its 1993 earnings forecast because of concerns over possible weakness in the printer

business. Tandem Computer slumped 1 1/4% to 10 1/4% after Morgan Stanley cut its investment rating from a "buy" to a "hold" and lowered its earnings forecast.

Gold stocks were back in favour as metals prices rebounded. Newmont Mining firmed 1 1/4% to 53 1/4%, Homestake Mining added 3/4% at 52 1/4%, and Battle Mountain Gold put on 3/4% at 41 1/4%.

On the Nasdaq market Apple

Computer firmed 3/4% to 33 1/4% on news that the company plans to shed 16 per cent of its staff.

Canada

TORONTO breached the 4,000 mark again before the TSE 300 composite index pulled back a little in brisk midday trading, registering a gain of 8.08 to 3,988.55 in volume of 48.6m shares valued at C\$665.05m.

Weaker oil and gas stocks placed a cap on the general market advance, the sector index falling 99.94, or 2 per cent to 4,825.53.

However, precious metals

## EUROPE

## Zurich heats up on UBS speculation

SPECULATION in Switzerland and, to a lesser extent, Germany gave bourses a lift, writes Our Markets Staff.

ZURICH raised the temperature again as investors heard more details of a SFR180m rights issue from BK Vision, the investment trust which currently has total funds of more than SFr1bn, and which crossed swords recently with UBS, Switzerland's biggest bank.

BK Vision, said Mr Frederick Hasselauer at Swiss Volksbank, disclosed yesterday that 56 per cent of its holdings were in UBS. UBS led banks higher in very heavy trading, on speculation that the BK Vision rights issue would mean more big buying of UBS shares.

The bearers rose SFr53, or 4.7 per cent to SFr1,187 and topped the active list. In the same sector, CS Holding firmed SFr70 to SFr2,900 and SBC SFr12 to SFr1,325.

The SMI index hit a new all-time high of 2,390.5, up 35.5 as turnover recovered after Monday's lull. The traffic was not all one-way. Nestlé came under pressure, falling SFr12 to SFr1,118 as the investment bank, Goldman Sachs, said in New York that it had removed the share from its recommended list.

FRANKFURT looked for more rate cut speculation after the Bundesbank president, Mr Helmut Schlesinger, said in a speech late on Monday that western German inflation had risen at an average of 2.7 per cent over the previous three months on an annualised, and seasonally adjusted basis.

However, the Bundesbank then denied a report that a majority of central bank council members had wanted a sharper cut in interest rates than was decided on last week.

The DAX index rose by 3.70 to 1,700.87, nudged upward by some late buying of banks, as turnover rose from DM4.6bn to DM5.2bn.

Dresdner started with a DM5.60 rise to DM388.50 at the close, and a further gain to DM390 in the London post-bourse. Bayernkyp moved up DM2.50 to DM401.50 on the session, and then another DM3.50 to DM405 after hours.

Chemical companies were broadly higher, benefiting from the extended strength of the dollar; constructions, similarly, moved up in echelon, recovering from recent weakness.

PARIS resumed its upturn following Monday's losses, and the CAC-40 index put on 9.68 to 1,835.12. Turnover remained weak at under FF72bn.

Total lost an early gain on news of progress in talks

between the oil group and Saudi Arabia as the price of crude weakened throughout the day. The shares slipped FF2.10 to FF268.90, while those of Elf Aquitaine lost FF2.30 to FF384.50.

Automotive issues were steady as James Capel reiterated its sell recommendations for Michelin, Peugeot and Valeo yesterday. The broker downgraded its 1994 profit forecasts for the three companies, although it noted that, in contrast with Michelin and Peugeot, Valeo's profits "should hold up relatively well".

AMSTERDAM also recovered Monday's falls, with a rise in the CBE Tendency index of 0.9 to 113.2. Ahold went against the trend, slipping F12.30 to F195.00 after the sale of a 6.7 per cent stake.

ABN AMRO improved F11.80 at FL 67.70 as it announced the

## FT-SE Actuaries Share Indices

July 6		THE EUROPEAN SERIES									
Open	Close	Open	Close	Open	Close	Open	Close	Open	Close	Open	Close
1202.11	1201.71	1202.00	1202.59	1202.89	1202.89	1203.22	1203.04	1203.04	1203.04	1203.04	1203.04
1256.55	1257.13	1256.86	1256.81	1256.25	1256.53	1257.44	1257.30	1257.30	1257.30	1257.30	1257.30
Jul 5		Jul 2		Jul 1		Jun 30		Jun 29		Jun 28	
1197.01	1201.31	1213.21	1208.98	1207.97	1207.97	1208.98	1208.98	1208.98	1208.98	1208.98	1208.98
1253.51	1259.19	1270.96	1266.14	1265.58	1265.58	1266.14	1266.14	1266.14	1266.14	1266.14	1266.14

Base value 1000 (20/10/1988) Lightgrey: 100 - 1204.35, 200 - 1258.62, 300 - 1291.87, 400 - 1298.55

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purchase of a US bank. MILAN failed to respond to the Bank of Italy's larger than expected cut in the discount rate, announced after Monday's close. The discount rate now stands at its lowest level for 17 years.

The Comit index closed down 7.26 at 533.57. Ms Marie-Christine Keith, an Italian analyst at NatWest Securities in London, remarked that she had expected a stronger performance, given that the cut of one percentage point had exceeded expectations.

She expected the market to drift over the next few weeks, ahead of a number of announcements due by the end of the month. These include publication of the draft budget for 1994 and details of progress on privatisation issues.

There was some interest in Fiat, partly on rumours of a strategic link up, but the

shares closed marginally lower on the term, down L6 at L6.225 ahead of car sales data which showed a fall of more than 28 per cent in June against the same 1992 period.

HELSINKI continued to outperform many of Europe's markets on strong demand by foreign investors and positive company reports. The Hex index gained 3.12 per cent to 1,241.6, although it remained slightly below the year's high, recorded on May 21, of 1,248.

Nokia advanced FM48 to FM199 after announcing the sale of its electrical wholesale operations and a broker's upgrade.

ISTANBUL declined by another 3.2 per cent in reaction to the attack by Kurdish rebels on an eastern village which left 32 people dead. The composite index plunged 38.7 to 11,328.3 in turnover up to TL905bn from TL805bn.

TEL AVIV dropped for the second consecutive day on weakness in the bond market, the Mithnam blue chip index falling 2.87 to 194.30 in turnover of Shk177m.

WARSAW reduced its rate of climb ahead of the release of half-year company results, but the WIG index still put on 0.937, or 3.3 per cent to 4,138.6 in active turnover of 541bn zloty (\$30m).

## Privatisation programme reaches Athens exchange

Kerin Hope on the market debut of Hellenic Sugar

Greece's privatisation programme reached the Athens stock exchange last week with the listing of Hellenic Sugar Industry, the state-owned sugar beet processor. In spite of its small size the flotation has attracted considerable interest, as the first new issue in well over a year.

The Dr7.1bn (\$32m) offering, which covers a 37 per cent capital increase and includes a small international tranche, came as the Athens general index was making steady gains after months of wavering. "It has turned out to be quite a good moment to launch," said Mr Nikos Tsirios of Alpha Finance, adviser on the issue, last week, and he was right: the issue was 4.3 times oversubscribed.

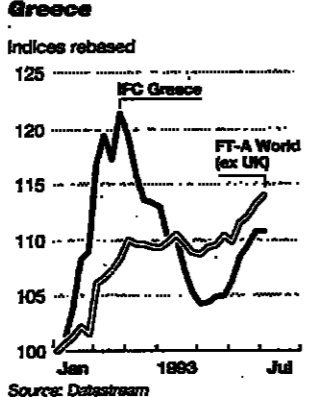
The market returned to wavering for a few days but it got back on the upgrade yesterday, the index rising by 9.65 to 761.59 on selective buying, up 13 per cent since the beginning of this year but still well short of its February peak of 882. Yesterday's June figure for Greek inflation, a fraction better than expected at 15.8 per cent, against 16.4 per cent in May, came too late to affect the equity market, says Mr Stuart Harley of Schroders.

The government has privatised more than 70 concerns in the past two years, including a handful of companies already listed on the bourse. But plans to broaden share ownership in Greece by making disposals through the exchange collapsed as the weak financial position of most nationalised companies became clear.

Hellenic Sugar, a monopoly producer controlled by the state-owned Agricultural Bank, was an exception. The company's earnings soared in the

past two years with the lifting of price controls on sugar. It remains to be seen whether other new issues will follow over the summer. Although the list of Greek companies waiting to go public is lengthening, the market's weak performance over the past two years has acted as a deterrent.

While brokers seem confident that the current recovery will continue, there are fears



that the flotation of 14 per cent of OTE, the state telecoms company, planned for November, will soak up all available liquidity.

Even with 5 per cent set aside for an international tranche, together with another 4 per cent for company employees, the remaining 5 per cent, valued at around Dr32bn, would still amount to much the largest public offering ever made in Greece.

In the meantime, Commercial Bank, the second-largest state bank, has postponed the first stage of a Dr60bn rights issue, set for May, without deciding on a fresh date.

Mr Nikos Pantelakis of Midland Pantelakis Securities

says: "The OTE offering dwarfs everything that has ever happened on the Athens stock exchange so, naturally, there is some apprehension. But it will give a lot more depth to the market."

In the meantime, the government's announcement of sharper cuts in interest rates on treasury bills, already declining by a quarter-point with each new issue, is likely to send funds back into the stock market. With the savings deposit rate down to 17 per cent, less than one percentage point above the current inflation rate, small investors are starting to return to equities.

While company results for 1992 were mixed, construction groups, expected to benefit from increased inflows of EC funds for infrastructure projects, have greatly outperformed the market. Mechaniki, a leading contractor, is up 56 per cent. Alcatel Greece, which recently started producing fibre optic cables for submarine use, is up by 63 per cent.

Banks have also outperformed the market, by an average of 18 per cent this year. They are led by Ergobank and Credit Bank, the two largest private banks, which had a good first quarter.

However, the average price/earnings ratio is still only 11, and on that basis Greece looks cheaper than other emerging markets. Foreign investors have been returning to Athens as a result.

Mr Alexander Moraitakis of Nuntius Securities says: "What we are seeing is international fund managers buying into Greece again. Funds are coming out of Istanbul, for example, which is now a very expensive market, and moving here."

Industrials gained 17 at 4,719 on expectations of a cut in interest rates next month, while the overall index put on 36 at 4,210. De Beers rose R1 to R86 on better than expected diamond sales figures.

## Tokyo

ARBITRAGE-related trading pushed cash share prices higher in tandem with the futures market, which rose on renewed hopes of a cut in the official discount rate, writes Emma Tennison in Tokyo.

The Nikkei average gained 206.72, or 1.1 per cent, at 19,829.78 on buying by arbitrageurs and investment trusts. The index fell to the day's low of 19,589.66 just after the opening, and hit the day's high of 19,838.38 in the afternoon.

Volume remained subdued at 180m shares against 140m. The Topix index of all first section stocks rose 7.48 to 1,592.90. Advances led declines by 556 to 397, with 189 issues unchanged. But in London the FTSE 100 index eased 0.58 to 1,307.57.

The cash market fluctuated on technical trading due to the low volume. Speculation that Japan will emphasise economic recovery in the G7 communiqué added to hopes of further monetary easing.

However, traders expect investors to remain inactive ahead of the July 18 lower house elections. In a recent report, Salomon Brothers in Tokyo maintains an optimistic view on equities, commenting that the market will begin to recover as a result of better economic news and opposition proposals to reduce taxes and stimulate the economy.

## SOUTH AFRICA

THE GOLDS index slipped back moderately from an earlier high, having risen to an intraday peak of 3,112 as the price of bullion broke through the \$390 an ounce level. The index was finally up 72, or 3.6 per cent, at 2,090.

Industrials gained 17 at 4,719 on expectations of a cut in interest rates next month, while the overall index put on 36 at 4,210. De Beers rose R1 to R86 on better than expected diamond sales figures.

Hopes of an imminent cut in the discount rate helped interest rate-sensitive large capital issues. Nippon Steel rose Y5 to Y366 while Mitsubishi Heavy Industries gained Y6 at Y842.

Reports of a sharp fall in crude oil prices during recent weeks helped oil refiners on expectations of wider profit margins. Nippon Oil appreciated Y16 to Y806 and Cosmo Oil advanced Y12 to Y832.

Reports that Unicharm had decided to close Academic Unicharm, a computer dating subsidiary, encouraged investors, pushing the nappy manufacturer up Y60 to Y2780.

In Osaka, the OSE average rose 85.73 to 21,791.81 in volume of 15.5m shares. Rohm,

the most active issue of the day, firmed Y50 to Y3,170.

## Roundup

THERE WERE mixed performances from the region's markets yesterday.

TAIWAN surged 3.6 per cent in a technical rebound triggered by news that the Formosa Plastics group would soon begin building its long-delayed \$7.5bn petrochemical complex.

The weighted index finished 140.09 higher at 4,047.42 as turnover expanded to T\$19.35bn from Monday's T\$11.92bn. The plastics sector led the gains, forging ahead 5.1 per cent. Formosa Plastics

strengthened T\$220 to T\$43.50 in heavy trading.

HONG KONG retreated in subdued trading as investors awaited developments in Sino-British talks. The Hang Seng index shed 37.07 to 7,168.34 in turnover down to HK\$2.9bn from Monday's HK\$4.32bn.

Some brokers said most fund managers were waiting for the visit of Mr Douglas Hurd, the British foreign secretary, to Beijing later this week to discuss Hong Kong's political reform plans. A separate round of Sino-UK talks ended in Beijing yesterday, with further discussions scheduled for later in the month.

NEW ZEALAND continued to rise, setting a fresh three-year high with Telecom again the focus, adding 3 cents at NZ\$3.28. The NZSE-40 index closed 2.33 up at 1,717.85 in turnover of NZ\$22.2m.

SINGAPORE eased in this volume, but with activity particularly noted in Malaysian plantation stocks traded over the counter. The Straits Times Industrial index lost 6.95 at 1,818.97.

KARACHI rose on institutional buying, with investors largely ignoring the continuing political uncertainty arising from what is being seen as a power struggle between President Ghulam Ishaq Khan and Prime Minister Nawaz Sharif. The KSE index moved ahead 10.92 to 1,243.97.

"These excellent results indicate the continuing strength of the Company. We have significantly improved profitability and customer service, whilst reducing tariffs by 4% for the average domestic customer."

Bryan Townsend  
Chairman

## Highlights

- Increased pre-tax profit of £167.1m - up 17.6%
- Increased turnover of £1,536.9m - up 5.7%
- Increased earnings per share at 55.8p
- Increased dividend per share of 20.0p
- Domestic prices down 4%

## Summary Financial Statement

(Historical Cost)

	1992/3 (£m)	1991/92 (£m)
Turnover	1,536.9	1,454.1
Profit before Taxation	167.1	142.1
Profit after Taxation	117.1	102.7
Earnings per Ordinary Share	55.8p	49.0p
Dividend per Ordinary Share	20.0p	17.25p

Copies of the Directors' Report and Accounts and/or the Annual Review will be posted to shareholders on 12 July 1993.

The Annual General Meeting will be held at the International Convention Centre, Birmingham, on Wednesday 11 August 1993 at 11.00 am.

Subject to approval at the AGM, the recommended final dividend of 4.65p (net) making a total of 20.0p (net) for the year, will be paid on 1 October 1993 to shareholders on the register as at 29 July 1993.

**MEB**  
Midlands Electricity plc

Midlands Electricity plc Registered Office: Mucklow Hill, Halesowen, West Midlands B62 8SP  
Registered in England and Wales: No. 2366928

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited  
in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JULY 5 1993										FRIDAY JULY 2 1993										DOLLAR INDEX	
	US Dollar Index	Day's Change %	Point	Starting Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Point	Starting Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	DOLLAR INDEX				
																		1993 High	1993 Low	1993 High	1993 Low	
Australia (68)	135.10	+0.4	135.62	93.09	119.13	133.37	-0.4	3.75	134.61	132.38	92.53	118.89	133.89	144.19	117.39	147.53	-0.1	134.61	132.38			
Austria (18)	142.80	-0.1	142.70	96.46	128.00	126.12	-1.8	1.54	145.83	143.42	100.25	128.59	128.21	150.98	131.15	172.05	-0.1	145.83	143.42			
Belgium (42)	147.81	-0.1	147.81	101.83	130.33	127.21	-0.2	4.50	148.01	145.58	101.74	130.60	127.20	156.76	131.19	148.17	-0.1	148.01	145.58			
Canada (108)	128.25	-0.1	128.25	98.43	113.17	119.57	-0.2	2.82	128.52	126.39	98.34	113.31	119.56	130.38	111.41	127.20	-0.1	128.52	126.39			
Denmark (8)	214.70	-1.2	214.70	147.83	188.31	190.98	-1.2	1.18	217.37	213.78	149.43	191.67	192.56	225.84	185.11	244.07	-1.2	217.37	213.78			
Finland (23)	96.23	+2.5	94.38	66.30	84.85	114.15	+2.1	1.07	95.86	92.31	64.52	82.76	111.78	100.92	85.50	78.78	+2.1	95.86	92.31			
France (96)	150.88	-0.7	147.77	103.80	132.83	135.55	-0.7	3.33	151.75	149.24	104.31	133.79	136.64	167.36	142.72	162.64	-0.7	151.75	149.24			
Germany (60)	109.28	-0.3	109.19	75.31	96.86	96.36	-0.3	2.20	109.07	107.78	76.35	96.83	96.83	117.10	101.59	128.74	-0.3	109.07	107.78			
Greece (15)	289.22	-0.3	289.22	191.11	240.30	242.55	-0.3	3.28	291.39	286.58	200.31	258.95	266.77	301.81	218.82	254.47	-0.3	291.39	286.58			
Italy (70)	162.19	-0.3	159.08	111.11	143.01	159.20	-0.3	1.83	159.33	156.82	100.43	129.40	129.28	149.01	129.28	149.01	-0.3	159.33	156.82			
Japan (17)	66.82	+0.4	67.31	47.28	80.50	79.98	+0.3	1.98	66.38	67.25	47.00	60.29	78.76	72.58	78.76	72.58	+0.3	66.38	67.25			
Mexico (19)	144.30	-0.2	141.54	99.42	127.25	99.42	-0.2	0.83	144.58	142.19	99.39	127.50	99.39	155.96	100.75	104.38	-0.2	144.58	142.19			
Netherlands (24)	351.15	-0.8	350.36	86.41	109.29	121.61	-0.8	4.55	352.91	347.81	86.41	109.29	121.61	268.99	152.43	251.06	-0.8	352.91	347.81			
Norway (21)	148.87	-0.5	148.91	102.23	132.16	151.63	-0.6	0.90	149.55	148.80	103.54	132.70	151.63	194.99	161.46	201.84	-0.5	149.55	148.80			
Portugal (24)	165.99	-0.4	162.52	114.16	144.10	144.10	-0.3	3.81	168.33	163.95	114.34	145.67	144.65	172.75	150.39	163.44	-0.4	168.33	163.95			
Spain (13)	+15.2	+15.2	15.2	15.2	15.2	15.2	+1.4	+4.1	16.91	16.91	15.2	15.2	15.2	15.2	15.2	15.2	+1.4	16.91	16.91			
Sweden (21)	154.08	-0.5	151.14	106.17	135.87	150.63	-0.5	1.06	150.48	149.18	106.48	135.87	150.63	168.46	150.63	168.46	-0.5	150.48	149.18			
Singapore (38)	252.02	-0.0	247.20	173.85	222.22	186.61	-0.1	1.83	251.98	247.80	173.20	222.16	186.45	262.72	207.40	220.18	-0.1	251.98	247.80			
South Africa (9)	206.57	-0.8	206.58	143.70	183.80	210.39	-0.8	2.41	207.26	203.83	142.71	182.14	209.08	205.57	144.72	208.25	-0.8	207.26	203.83			
Switzerland (58)	351.15	-0.8	350.36	86.41	109.29	121.61	-0.8	4.55	352.91	347.81	86.41	109.29	121.61	268.99	152.43	251.06	-0.8	352.91	347.81			
Taiwan (38)	167.14	-1.1	163.94	115.16	147.37	191.57	-0.8	1.78	168.98	166.14	116.13	139.00	162.49	172.75	150.39	163.44	-0.8	168.98	166.14			
United Kingdom (50)	126.40	-0.3	123.96	87.09	117.47	118.52	-0.3	1.18	126.80	124.70	87.17	111.82	118.86	128.09	115.78	128.74	-0.3	126.80	124.70			
United States (219)	174.56	-0.4	171.23	160.26	153.91	171.22	-0.4	0.51	175.51	172.31	160.45	154.47	172.31	161.99	152.99	162.00	-0.4	175.51	172.31			
USA (51)	142.61	-0.0	170.25	126.75	160.93	182.51	-0.0	3.29	143.64	141.27	90.78	126.66	136.00	149.02	132.92	183.19	-0.0	143.64	141.27			
United States (753)	143.06	-0.4	140.32	96.57	128.15	136.35	-0.5	4.25	145.81	141.27	90.78	126.66	136.00	149.02	132.92	183.19	-0.5	145.81	141.27			
United States (114)	180.39	-0.7	157.92	110.51	141.43	161.44	-0.3	1.54	181.46	158.81	111.01	142.39	162.33	171.77	142.1	180.85	-0.7	181.46	158.81			
United States (718)	148.23	-0.2	145.49	102.60	130.78	161.11	-0.1	1.11	148.95	146.14	102.15	131.03	161.11	159.07	105.66	170.87	-0.2	148.95	146.14			
United States (469)	148.23	-0.2	145.49	102.60	130.78	161.11	-0.1	1.11	148.95	146.14	102.15	131.03	161.11	159.07	105.66	170.87	-0.2	148.95	146.14			
United States (824)	179.13	-0.1	176.70	123.44	167.97	178.21	-0.1	2.81	178.14	176.16	123.16	167.98	178.23	188.49	151.51	165.92	-0.1	178.14	176.16			
United States (657)	179.13	-0.1	176.70	123.44	167.97	178.21	-0.1	2.81	178.14	176.16	123.16	167.98	178.23	188.49	151.51	165.92	-0.1	178.14	176.16			
United States (243)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.78	124.11	122.08	85.38	106.48	114.25	126.85	112.51	135.51	-0.4	124.11	122.08			
United States (183)	123.58	-0.4	121.21	85.16	106.98	114.77	-0.4	2.														